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MALAYA'S PLANNING FOR THE FUTURE

Malaya's first independent Government, faced with the task of charting the new country's course, for the next five years, has avoided economic window dressing. Top priority has been given in the first five-year development plan to planning ahead for future development of the country and in laying sure foundations for the country's prosperity. What is asked for is several years of steady development which is not likely to show on the surface but which will pave the way for spectacular industrial and development advances in the future. Malaya has budgeted to spend over M\$1,100 million during the next five years. The programme is an ambitious one covering a wide range of proposals in many fields but there is no doubt that it would never have reached its present scope without the aid that Britain has promised to give during the infant years of an independent Malaya. Britain has promised largely to take over the burden of fighting the Communist terrorists in Malaya and of developing the army, navy and air force. Malaya plans a military arm of modest dimensions, no more than sufficient to maintain its sovereignty and prestige as an independent country, but without British help it would hardly have been possible unless sharply cutting into the development programme planned in the civil field. Without British help Malaya, the newest independent nation in Asia, would be crippled in its efforts to meet the threat of Communism.

Since 1948 the Malayan Communist Party has been waging a bitter, bloody and costly war in the Malayan jungle against the Government. The initial object of this campaign was to bring about an independent Malaya but in the Communist context that meant an independent nation which governed according to Marxist principles. Well over 10,000 people have lost their lives in Malaya since the Communists entered the jungle and there

are no signs that the Communists are planning to give up their tragic struggle even though independence is gained. On the contrary, the signs are that the first task of the independent nation will be to eliminate the armed gangs which are still roaming the country, a constant threat to peace. Britain's first substantial contribution is to be the use of British forces in the jungle fight until Malaya's own army, now rapidly building, is able to shoulder the full burden. Britain has promised for the next three years to provide M\$25 millions in addition towards meeting the cost of the war. After that, Britain will provide further help to a total of about M\$50 millions in the final two years of the plan.

Few of Malaya's politicians at one time realised how expensive even a modest army could be. The full cost is now becoming apparent and to help, the British Government has promised to continue its financial aid with building up a Federation Army, which will cost the British taxpayer M\$56 millions. In addition equipment worth M\$47 millions is to be handed over to the new Malayan nation and M\$11 millions is to be provided as a grant for the purchase of equipment and to help with building up a new Royal Malayan Navy. With this money the Malayan Government plans to raise the infantry battalions to full strength and build the army into a balanced force capable of maintaining itself in the field. When the expansion programme is completed it will mean that the Malayan taxpayer will have to meet a yearly bill for the army alone of M\$70 millions. Britain's help in taking care of some of the military demands of the new nation has meant that the Government has been able to give virtually all its attention to civil development.

First priority under the development plan is to be given to the development of the rubber indus-

try, which for the past half century has been the mainstay of the Malayan economy. The most important need is to bolster it so that it is capable of meeting the heavy competition developing from the American synthetic rubber industry. The Malayan natural rubber industry has got to fine down and be capable of producing at a cheaper cost than synthetic. One of the most important methods is by replanting the estates and smallholdings with high yielding rubber, trees that instead of producing 400 lb. an acre a year will produce up to 1,000 lb. an acre. The cost throughout the country is astronomical and means hacking down millions of older trees and replacing them with the special bred plants which will take seven years to mature. The Government is helping both estates and smallholdings to finance this replanting. The fact that it has been given top priority in the development plan indicates the importance the Government attaches to this extensive programme.

Bracketed with first priority is the need to raise the output of agricultural produce by using better strains of seed, encouraging the use of fertilisers and improving techniques. The most important part of this programme will be the rice industry for Malaya, country of six million people, has to import half of its needs in rice. The full programme is designed to reduce the country's dependence on imported foodstuffs. Also included with the first priorities is the mining industry which is to be given additional help in finding new ground. The Japanese occupation and the Communist war have meant that prospectors have not been able to keep up their search for new tin bearing ground. With Government help it is hoped to speed up prospecting.

Industrial development is to be quickened as a first priority subject and is aimed at making Malaya an attractive place for foreign investment. This may include developing sites for industry and giving tax concessions to new arrivals. The Central

Malayan port of Port Swettenham is to be developed as a project of first importance since the Federation of Malaya is now a separate territory from Singapore which in the past has been its traditional import and export outlet. Second priority has been given to the education service and the health services which in the opinion of many legislators are in need of improvement. Emphasis will be placed during the early years on improving these services in the rural areas. Third priority has been given to the housing programme and to improving road, rail, air, telephone and postal services. The Government considers that substantial improvements have been made here during the last few years and that these services should therefore come lower down in the scale. In the lowest priority of all has gone the "window dressing" items with which the Government could be expected to make a substantial show. These include new Government offices, courts, police and Customs stations, new Government housing and a plan to move the capital of the State of Selangor.

Most of the money to finance this programme, which will cost about twice the country's annual revenue budget, will be met from loans. Some of the loans will be raised on the London market and some on the Malayan loan market. It is likely that a lot of the money will come from the Government's compulsory Employees Provident Fund to which all employees in Malaya must contribute. The development plan has been accepted virtually without criticism in Malaya. It is austere, Cripsonian and without the usual promises of brick and concrete symbols of the country's progress. It means, however, that the new nation is pinning its faith not on the immediate present but on providing the means whereby in the future all can enjoy a higher standard of living. The development programme provides the foundations on which buoyant prosperity can be built. It is an indication of the hard-headed, realistic attitude that the new nation is taking towards its future.

THE PERMANENT REVOLUTION

By Richard Lowenthal

On the eve of the fortieth anniversary of the Bolshevik seizure of power in November 1917, the Soviet Union has been launched on yet another social revolution—on yet another turn of the wheel, that is, of the permanent revolution from above by which the rule of the Communist Party is maintained. This and nothing less is the meaning of the recent dramatic victory scored by Khrushchev over his opponents in the presidium of the party.

It is obvious to all that by eliminating his chief rivals, Khrushchev has ended the fiction of "collective leadership" and restored the primacy of the head of the party machine, familiar to us from Stalin's time. It is equally obvious that he has done so in the name of new policies—policies which he claims represent neither a return to Stalin's sys-

tem, nor a repudiation of the main line of the Stalinist tradition, but a bold advance forward from Stalinism. What is not yet generally understood is just what these new policies are.

Yet it seems to this observer that the signs are plain enough for all to read. Khrushchev's primary objective is neither "destalinization," nor "decentralization," least of all "democratization." It is nothing less than the ending of the dualism of party and state machine by which the Soviet Union has been governed for the past four decades—the institution of direct rule over the country, including direct management of its economy, by party secretaries. The Soviet state is to "wither away" at last, as Lenin promised—but only in the technical sense of having its bureau-

cracy no longer controlled but replaced by that of the party.

It is a tremendous undertaking without example in the annals of modern totalitarianism, and it may fail. But let us first examine the evidence for saying that it has started.

During recent months, the Soviet Union has been without a "government" in the traditional sense of the term. Not only have 25 industrial ministries been dissolved; not only have the prime ministers of the 16 constituent republics been granted membership in the all-Union government, thus making it a representative rather than an executive body; but the life and soul of the government, the "inner cabinet" of deputy prime ministers, has disappeared, and nothing has taken its place—nothing, that is, on the governmental plane. Some of the former deputy premiers have become sectional heads in the reorganized Gosplan (State Planning Commission); five of them who were leading figures and also members of the party presidium have been demoted as a result of Khrushchev's purge (Malenkov, Molotov, Kaganovich, Pervukhin and Saburov). Only the everlasting Mikoyan and the new head of Gosplan, Y. Y. Kuzmin, are left with the title of "first deputy premier."

It may be objected that the real policy-making body was the party presidium all the time. Consider, then, the changes in the composition of the presidium. It has now been inflated to comprise 15 voting members and nine candidates—including all the eight members of the party's central secretariat. Only once before has the presidium been larger—after Stalin's last party congress, in November 1952, when 25 full members and 11 candidates were elected. But in that body of 36, the 10 members of the secretariat and three provincial party secretaries were balanced by 12 deputy premiers and four other ministers of the Union government, with Premier Stalin and Deputy Premier Malenkov combining functions in the government and the party secretariat. In the new presidium of 24, the eight members of the central secretariat, together with the first secretaries of Leningrad, Gorki, and Sverdlovsk, of the Ukraine, Byelorussia, Latvia, Georgia, and Uzbekistan, add up to 16 representatives of the party machine, while the Union government is represented only by Premier Bulganin, Deputy Premier Mikoyan, Marshal Zhukov, and Ministers Pervukhin and Kosygin. The balance is gone; the men formally charged with carrying on the government are not in a position decisively to influence policy.

This disorganization and demotion of the government is, of course, the direct consequence of Khrushchev's scheme for the reorganization of economic planning. The need for such a reorganization was recognized on all sides; its direction was bitterly contested—indeed it formed one of the two central issues in the struggle between Khrushchev and his opponents. It was the critics of Khrushchev who first raised the demand for an overhaul of the planning machinery (as well as a revision of current plans) last December, when Khrushchev's authority stood lowest on the morrow of the Polish and Hungarian events. They called for more realistic targets, better coordination, and less disturbance of the plan by sudden "campaigns"—in fact, for more rationality and less propaganda; and they won, besides some investment cuts, the creation of a greatly strengthened "State Economic Commission" of high-powered economic administrators which was to submit its reform proposals in February. Yet by February, Khrushchev was politically on top again; he and not Pervukhin, the chairman of the commission, proposed the reforms, and got approval for an outline suggesting the creation of regional planning organs under control of the party. Between then and March 30, when Khrushchev published his theses, that idea had hardened into the proposal to make

the regional "Councils for National Economy" the "basic link" in the new planning machinery under the Gosplan, and to abolish the industrial ministries of the Union and of the national republics altogether.

At its first appearance, this proposal was widely interpreted outside the USSR as a step towards "decentralization" of the economy in the Yugoslav sense, now even strongly Khrushchev himself denied this intention; nor was it recognized that the sudden switch from having recently strengthened the State Economic Commission to replacing it by a Gosplan with increased powers was due to the objections raised against Khrushchev's scheme by the experienced economic administrators attached to the commission. But when the scheme was presented to the Supreme Soviet in May (with minor amendments preserving, for the time being and with reduced powers, a few industrial ministers in the Union and republican governments) and when the economic councils came to be appointed subsequently, two things became clear—that none of Khrushchev's presidium colleagues concerned with economic administration had supported him in the discussion, and that the presidents of the new economic councils were generally party secretaries—usually the second secretaries of the regions concerned. What had started as a drive for more economic rationality had turned into a drive for more direct party rule in the economic field.

This was not at all inconsistent with Khrushchev's record. After he took over as first secretary of the party, he became noteworthy for the attention he paid to technical economic detail—to methods of sowing potatoes, to the value of planting maize for fodder, and to the advantages of building with concrete. Some Western observers hailed him on that account as a practical man who had no time for ideological nonsense and was turning the Communist Party into a kind of glorified polytechnic. Yet against this there was the evidence of his passion for foreign travel and speech-making—the evidence, in fact, that he is a primitive but perfectly genuine believer in the Leninist concept of world revolution. The ideal he put before the young generation of apparatchiki was that of a man who would combine a universal competence in the technical problems of production with a perfect Marxist-Leninist understanding of the international scene. It may be a difficult ideal to fulfill, but there is no reason to doubt that Khrushchev believes in it sincerely. In one and the same speech at the Twentieth CPSU Congress last year, he developed the advantages of taking power by such "legal" and "parliamentary" methods as were employed in Czechoslovakia in 1948, and suggested that party regional secretaries ought to be paid salaries in proportion to the production successes of their region! The latter proposal seemed strange enough at a time when a formal separation of party and administration was still the official doctrine; it makes perfect sense in the framework of Khrushchev's revolution.

But does the revolution itself make sense? Khrushchev is turning the top-heavy administrative machinery of a gigantic command economy upside down. He is breaking overnight the customary links, thus clogging the well-worn channels of command; he is driving all the most competent higher administrators into frantic opposition without arousing enthusiasm from the managers in the field, who still will be under strict orders, but from new and usually less competent, though somewhat nearer people. He is, in short, running the risk of destroying the over-complicated mechanism of detailed planning from the center, without daring to replace it by bold reliance on market forces and managerial initiative within a broadly planned framework. And he is taking sole responsibility for the consequences—even to the point of appointing one of his assistants from

the party secretariat, a man without high-level experience of decision-making, as head of Gosplan and first deputy premier!

What, then, impelled him along this course? The old planning system was certainly creaking, but its crisis was not desperate. It is true that following the immediate post-war reconstruction period, the rates of Soviet industrial growth had gradually slowed down; this was inevitable since the phase of "primitive accumulation" had ended, since industry could no longer rely on a steady influx of new millions of workers from the countryside, and since even natural population growth had slowed down. It had been the common conviction of the post-Stalin leaders that such a situation required increased attention to the raising of output per manshiit, and hence increased reliance on incentives rather than coercion; the gradual transformation of the labor camps into forced settlements of "free" workers and the material concessions to both workers and peasants had their origin in this conviction. For the same reasons, there was certainly growing pressure to eliminate the snocking bureaucratic waste of the command economy, to improve cost accounting and to decentralize the power of decision. There was pressure, in other words to move toward greater economic rationality by adopting a broadly planned market economy, as the Yugoslavs had done as early as 1953. But that is not what Khrushchev is doing.

Must we explain his scheme, then, purely in terms of the struggle for personal power? The "rational" solution, with its greater scope for the managers, might have appealed to Malenkov and some of the "technocrats" in the Economic Commission; the old "Stalinists," like Molotov and Kaganovich, would have tended to defend the old forms of centralized departmental control. Did Khrushchev devise his scheme—with its reliance on his own appointees and natural supporters, the regional party secretaries—as the best means to defeat both groups of opponents and secure full control? That, I believe, is at least part of the truth; for even though the urgency of the economic situation was not desperate, that of Khrushchev's personal situation last winter probably was.

At the December plenum, Malenkov and the Stalinist "conservatives" seem to have united in blaming Khrushchev's rash advances to Tito and his "destalinization" speech at the Twentieth CPSU Congress for having lowered Russia's international authority and produced the upheaval in Eastern Europe. Khrushchev had his back to the wall; he may have been saved only by Chinese support for his views that the unity of the Soviet bloc could not be restored by a simple return to Stalin's "great power chauvinism," and that a precarious compromise with Gomulka which maintained unity in foreign policy was preferable to another Hungary nearer home. He saw that unless he got rid of his opponents, his opponents would sooner or later get rid of him; and just Stalin took the great foreign policy defeat of his early years—the break-up of the alliance between the Chinese Communists and the Kuomintang in 1927—as a signal to force the surrender or expulsion of his critics in the same year, so Khrushchev may have resolved to force an issue of his own choice as soon as he got a chance.

It was, then, the crucial decisions demanded by the East European revolution of last autumn which led to irreconcilable conflict within the "collective leadership," and which made the present crisis inevitable. The planning reform was the issue chosen by Khrushchev himself for fighting it out. But the reform plainly raised even more resistance than Khrushchev had expected; and the question remains how so risky, so patently irrational a scheme could win at all against such strongly entrenched opposition.

The answer, in this writer's view, is that a "rational" solution of the problem of economic planning was—and is—in conflict with the interests of single-party rule. Khrushchev chose this issue for the decisive inner-party struggle, and won on it because his policy coincides with the party's interest in preserving its power in the new industrial society it has helped to create.

A genuine economic "decentralization"—the granting of freedom for managerial initiative and the forces of supply and demand—would deprive the party of a tremendous lever of power over the new managerial class. It would strengthen the feeling—which inevitably has grown with the development of a modern industry, army, and administration—that the party is a kind of parasitic appendix to this modern society, no longer needed for its proper functioning. If accompanied—as it must be in order to create a genuine market economy—by the abolition of forced agricultural deliveries, it would reduce the party's power over the peasants to the same extent. (When both steps were taken in Yugoslavia, the managerial class was still very weak, but the growth in peasant self-confidence and independence proved very marked and led fairly soon to a dissolution of most collective farms. The difference was, of course, that the pressure toward economic rationality in the Yugoslav situation was much more severe than in the USSR today).

The Soviet Communist Party has been concerned with this problem of the new industrial upper class ever since it emerged from the first Five Year Plan. At that time, in 1934, the party still contained many of the old revolutionaries from the working class and prewar intelligentsia, while the new upper class had developed largely outside the party. It was the basic function of Stalin's blood purge of the 1930's to overcome this discrepancy; by eliminating the traditional revolutionary element from the party and driving the new bureaucracy into its fold, he created a personal union between the organ of power and the class of privilege. Once the profiteers of the revolution had joined the Jacobin Club, there could be no more Thermidor!

Twenty years later, history has shown that despite the personal union between the ruling party and the governing bureaucracy, the division of function remains a source of conflict. The manager and economic administrator, even though a party member, tends to think in terms of personal security, social stability, and economic rationality: confident in his own competence, he feels sure he could hold an equal job even if there was no party—and perhaps with less troublesome interference. The party secretary or editor, even though a privileged bureaucrat, tends to think in terms of power and its ideological justification: he sees industry and the army, the whole modern Soviet society, as the creation of the party, and the end of party control to him would be the end of everything. But with the passage of time since the revolution, and with the discredit into which the party has fallen thanks to its purges, vacillations and abuses, and lately thanks to the shock of the East European revolution, his outlook has become less typical and more isolated.

Now Khrushchev is trying once again to bridge the gap—if a union of persons was not enough, a union of functions must be created. No doubt he hopes to get along with a blood purge of comparable scale; though Malenkov and Molotov have been attacked for forming an "anti-party group" and, more ominously, for their share in the frame-ups of the past, the recalcitrant economic bureaucrats are not yet being pilloried as "enemies of the people." But what will Khrushchev do if his scheme breaks down?

* * * *

Before proceeding further, it may be useful to try to relate the present analysis to the discussion of over-all trends in Soviet society now going on among Western students of Communist affairs. Leaving aside the optimists who foresee "democratization" and the professional exhorters who look at every change in the Soviet orbit as mere "trickery" designed to deceive the unwary, there remain two principal approaches. On one side those who argue that the growth of a modern industrial society with universal literacy and widespread technical competence, and of a self-contented new upper and middle class, will exert a pressure toward more rational methods of rule which is ultimately bound to prove irresistible—that as society matures and revolutionary fervor subsides, the regime itself is bound to "mellow." On the other side are those who stress the unique character of the totalitarian party regime, which reacts to social pressures neither by giving in nor by resisting change, but by manipulating the inevitable changes in such a way as to preserve its own power and dynamism—in a manner, that is, which remains revolutionary and "irrational" from a purely economic point of view.

What has been said so far constitutes an implicit criticism of the first-named approach: it is the "irrational" Khrushchev with his party bosses, not the "rational" Malenkov with his managers and economic administrators, who has won the latest round; and the reason is to be found precisely in the logic of self-preservation of the party regime, which, after forty years, still remains a revolutionary regime in its origin and justification. Revolutionary regimes do not mellow; they continue until they are overthrown and their social and economic results are incorporated into a different kind of regime. The people may long since have lost their faith in the revolutionary shipboats; but the party cannot abandon its ideology without abandoning power. The party leadership maintains this power by using it to twist society into an artificial preconceived pattern, by allowing none of the basic classes to settle down in stability and security, by reacting to every pressure from growing social forces with another turn of the screw of permanent revolution from above. After the recovery of peasant agriculture in the 1920's came the forced collectivization; after the rise of the new managerial class in the 1930's the blood purge; after the new consolidation of this class in the 1950's, following Stalin's death, Khrushchev's move toward direct party rule. . . .

Yet there is something dangerously one-sided in this picture. The party, after all, is not God; if it does make history, it cannot do so arbitrarily. Not all the changes to which it reacts were foreseen in its theory; not all the measures it takes were part of its original program. If it seeks to respond to every pressure in such a way as to preserve its power, there is no preordained guarantee that it will always succeed in doing so. The true history of the Soviet system is certainly not that of the automatic modification of the regime by outside social and economic forces, but neither is it that of the pure unfolding of the grand design of the totalitarian regime: it is the history of dynamic interaction between the logic of economic and social growth and the logic of totalitarianism—an interaction which frequently takes the form of conflict, and in which measures taken in order to preserve the regime may well have the unforeseen effect of undermining it. The party, we said, cannot mellow; but it may fail.

Let us now apply this "dialectical" approach to the history of the past four years. On the morrow of Stalin's death, the party was at its lowest point in vitality and prestige; Malenkov, when faced by the "collective" with the

choice between leadership of the government or of the party machine, seems voluntarily to have preferred the premiership; and the initiative passed for a time to state organs. (Among the 10 members and four candidates of the party presidium as then reconstructed, there was only one representative of the central party secretariat—Khrushchev—and two provincial party secretaries, whereas there were, besides Premier Malenkov himself, four "first deputy premiers," three deputy premiers, and one minister—an imbalance as strong as the present one, but in the opposite direction).

But while Malenkov busied himself to restore confidence and keep the economy going by material concessions, Khrushchev set to work to revive the party. The most urgent condition for this was the downgrading of the secret police, which, by being used as the instrument of Stalin's personal rule, had come to exert power over the constituted party organs. The execution of Beria and Abakumov and the accompanying campaign enabled Khrushchev gradually to reassert the primacy of the party machine, to oust Malenkov from the premiership, and finally at the Twentieth Congress to pack the Central Committee with his own nominees.

Yet at this very same congress, Khrushchev was made aware of the extent of the accumulated social pressure for greater security and stability—a pressure which had had a chance to make itself felt after the downgrading of the secret police, and which was now turned on the party itself—largely from inside. Behind the pressure was the obvious fear that the revival of the party, and of the control of the First Secretary over the Central Committee, would lead eventually to the rise of another Stalin, with all the well-remembered horrors of his rule. So strong was this fear that Khrushchev had to appease it with a triple moral guarantee. First, by his "secret" speech he "disclosed" Stalin's methods and explicitly disowned the doctrine on which the blood purges were based—the theory avowing the "sharpening of the class struggle" with every step forward in the construction of "socialism," which could conveniently be used to discover new "class enemies" for every new phase in the permanent revolution. Second, he allowed opponents whom he had already defeated politically—Malenkov on the question of economic policy, Molotov on the concessions to Yugoslavia and the satellites and on the partial disavowal of Stalin—to be reelected to the party presidium, although in his new, hand-picked Central Committee he could have prevented their election even then. Third, he had the head of the army, Marshal Zhukov (who had become deputy war minister when Stalin died and war minister when Malenkov fell), elected to the presidium as a candidate—an unprecedented concession to the political weight of the army.

The essential point is that all these concessions were not made for strictly inner-party reasons: they amounted to a peace offer to the nation's leading strata, and to the other pillars of the administration, by the party machine. These elements were, in fact, assured that if they put up with the restored primacy of the party machine, there would be no more insecurity, no more hunt for "enemies," no return to paranoia as a system of government; there would, on the contrary, be a respectful hearing for the spokesmen of the economic bureaucracy and the army within the highest party councils. The "compromise," such as it was, was reflected in the balance within the new party presidium: among 11 members and six candidates, there were eight government members (Bulganin, six deputy premiers, and Zhukov), five members of the central secretariat, and two provincial party secretaries.

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ECONOMIC DEVELOPMENTS IN THE COUNTRIES OF THE FAR EAST

By Dr. Sjafruddin Prawiranegara

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Economic conditions continued to be favourable in most Asian countries during 1956. Generally speaking, industrial production was higher than in the preceding year while further progress was made regarding the implementation of development plans. The overall output of crop year 1955/1956 surpassed previous records, although it should be kept in mind that increases in food production occurred mainly in Ceylon, the Chinese People's Republic, Taiwan and Japan; in India, Pakistan and Indonesia for example there were smaller crops caused inter alia by unfavourable weather conditions. In order to assure an adequate food supply, in many development plans the emphasis lies on agriculture, while a major accent is laid also on the development of basic sectors as transport, irrigation and power. The problem of reducing unemployment is another item of consideration in some plans, particularly in those of India, Ceylon, the Philippines and Japan.

Meanwhile, mention must be made that in view of governments being more actively engaged in promoting economic development, inflationary tendencies gained in force in many countries. This is due mainly to the continuous growth of expenditure while on the other hand tax revenue and borrowing from the public tend to increase to a small extent only. As a matter of fact the increased expenditure involved deficit financing on a rather significant scale, resulting in a rise of the total effective demand. As in some countries bank credits to the private sector also showed a fairly rapid expansion, this brought about extra pressure. Although the inflationary effect was neutralized to some extent by eating into the foreign exchange reserves—thanks to foreign aid made available to a number of countries, balance of payments difficulties could be kept within reasonable limits—the increasing demand outweighed generally speaking the higher output, so that prices moved in an upward direction. Price increases of imported goods caused inter alia by the inflationary trend in the industrialized countries in Western Europe and North America, contributed to this course of affairs.

While prices showed an appreciable rise—particularly in countries where crops were unfavourable, food prices increased sharply—money supply in contrast to the previous year rose at a relatively slower rate. As already mentioned, this was due mainly to the drawing on foreign balances in view of imports rising faster than exports.

The fact that gold and foreign exchange reserves of most countries could increase slightly or remain on the same level—with the exceptions of India and Indonesia where reserves dropped in no small measure—has to be seen in the light of the considerable volume of foreign assistance made available, not only for the implementation of development projects, but also in the form of foodstuffs and other surplus agricultural commodities.

In general deficits on the balance of trade increased in 1956 as compared with 1955. Especially India who imported on a large scale capital goods for the development of its industry and Japan which country owing to accelerated raw materials requirements had a heavy import

surplus, experienced substantial set-backs in their balance of trade. In the Philippines restrictive import measures and an increase in export volume brought about a reduction of the deficit on the trade balance of 40%.

In order to improve their balance of trade position most Asian countries introduced export promotion measures, to wit, reductions in export duties, granting of export premiums, liberalization of export licences and quotas, establishing of export promotion councils, conclusion of barter or bilateral agreements etc. On the other hand imports, especially of non-essential consumer goods, were restricted; only the inflow of capital goods and raw materials necessary for development projects was encouraged, while imports of essential consumer goods were generally allowed, such to ensure an adequate supply.

Aggregate exports of the East Asian countries in 1956 were about similar to those in the preceding year totalling U.S.\$8,200 million. The proportional share of Asia in world exports, however, dropped from 7.4% to 6.7% in 1956. About 30% of the trade is within the Asian sphere, while the rest of the trade is largely with north-western European countries and the United States of America.

As to the production of primary export products it can be stated that production of rubber—one of the most important export commodities—was about 2% lower than in 1955, particularly due to a drop of production in Indonesia and South Vietnam. In view of this, exports also witnessed a decrease. Production of cotton declined mainly in India because of heavy floods. As consumption showed an increasing tendency, exports were less than in the previous year. The overall production of tea, copra, coconut oil, sugar and raw jute was slightly higher, having a favourable influence on exports of these commodities.

The terms of trade for most countries depreciated as a consequence of falling export prices (i.e. the price of rubber) and a rising trend of import prices.

In practically all Asian countries cost of living showed a moderate tendency to rise, except in Ceylon. It has to be borne in mind, however, that one of the main reasons that the index numbers did not rise further was the considerable volume of foreign aid.

Various countries received loans from the Worldbank and the Eximbank, while under the Colombo Plan and the International Cooperation Administration economic and technical assistance was rendered. United States assistance in the form of imports of surplus agricultural commodities—the sales of these commodities are for local currency—became increasingly important in the year under review. To some countries Japanese war reparation payments mainly in goods and services, also brought some relief with regard to the balance of payments position. Moreover, Russia entered the field by offering long term credits for specific development projects, inter alia to India and Indonesia. Meanwhile, the establishment can be reported of the International Finance Corporation, an organization which may bring some prospects for private foreign invest-

ment in Asian countries. Although several of these countries already have regulations to attract foreign capital, so far private foreign investment is negligible.

In the following paragraphs a survey is given of the most important facts regarding economic development in the respective Asian countries during 1956.

Pakistan

The devaluation of the rupee as from August 1st, 1955, has shown favourable results especially in the remaining months of the year and in the first semester of 1956. This was particularly notable with regard to exports. In the first half-year of 1956 the value of exports reached an amount of Rs 958 million being Rs 278 million higher than in the corresponding period of 1955. In the second half-year, however, the results were considerably less favourable, viz. Rs 682 million as compared with Rs 826 million in the same period of the previous year. Floods and transport difficulties were partly responsible for this downward trend. Especially exports of jute products have been stimulated to a considerable extent by the devaluation of the rupee, this in connection with the fact that Pakistan was placed in a better position to compete with India on the world market. Consequently the Pakistan jute factories could operate again at full capacity.

Imports showed a less favourable development. Owing to the existing agricultural methods, which cannot possibly achieve such an increase of production as is needed by a rapidly growing population, Pakistan has become more and more dependent upon imports of foodgrains. This state of affairs is contrary to former years when surpluses were available for exports to foreign markets. The average yield per acre in Pakistan is one of the lowest in the world. In the year under review the unfavourable circumstance of serious floods which partly destroyed the crops came on top of this. It stands to reason, therefore, that imports in 1956 reached a considerably higher level than in the preceding year. In 1955 the total value of imports amounted to Rs 1,085 million as compared with Rs 1,598 million in 1956.

The fact that the gold and foreign exchange reserves eventually showed practically no change—in the previous year an increase of 13% was registered—is due to a large extent to the American aid regarding imports of foodgrains.

Cost of living rose by about 4% while the money supply underwent an increase of 8%. The expansion of net Government's borrowing from banks contributed to this to a considerable extent, while credits to the private sphere showed an increase as well.

The five-year plan which was published in 1956 aims at developing the whole country equally. Most emphasis is being laid, however, on the boosting of production, whereas for the time being less attention will be paid with regard to the development in the social sector, viz. education and hygiene. The results of the increase of the real product to be achieved first will be used in due time to improve the standard of living. Total costs of the plan are estimated at \$2,436 million. Of this amount \$1,680 million will be spent in the public sector, i.e. 33% on irrigation and soil improvement, 27% on industry and power plants, 20% on transport and communication and another 20% on health, education and housing. It is expected that the total amount of expenditures viz. \$2,436 million can be financed as follows: \$1,554 million by Government and private savings, \$84 million by foreign investments and \$798 million by foreign loans and foreign aid. As to the raising of domestic savings the Government is confronted with great problems. Therefore it has to be

taken into account that deficit financing will turn out to be unavoidable. Care will be taken, however, that this inflationary way of financing will be kept within narrow limits.

India

After a period of five years in which India enjoyed a favourable economic development, the year 1956 showed a turning point. On the whole it may be stated that the targets with regard to the first five year plan expiring at the end of March 1956 have been satisfactorily fulfilled. The financing of the implemented projects, which in the first place were aimed at the agrarian development of the country, did not lead to inflation in those years. Gold and foreign exchange reserves after an initial decrease in 1951 showed a practically constant level, while the cost of living too remained fairly stable with a declining tendency in 1954 and 1955. Wholesale prices showed an identical picture.

In 1956, however, an alarming change took place. Gold and foreign exchange holdings of the Reserve Bank of India which at the end of 1955 still stood at \$1,791 million and which in the course of the first quarter of 1956 could even rise to \$1,814 million, witnessed a sharp decline after this period. Eventually the gold and foreign exchange reserves appeared to have dropped by no less than 24% during the months of March through December 1956. The cost of living underwent a rise of 10%, while the index number of wholesale prices showed an increase of 17% in the year under review.

The implementation of the second five-year plan aiming in the first place at the industrial reconstruction of the country started in April 1956.

The projected financing of the plan based on 1955/1956 prices is revealed by the following figures (Rs billion):

loans from the domestic capital market	12
surplus on the current account of the budget ..	8
non-budgetary means	4
loans from the Central Bank	12
foreign aid	8
deficit possibly to be covered with foreign aid ..	4
total	48

From the above the conclusion may be drawn that 25% of the required means have to be obtained by deficit financing, which no doubt will cause a considerable expansion of the money supply. In this connection it may be stated that the volume of money increased during the year under review by 12%, notwithstanding the substantial depletion of the gold and foreign exchange reserves. It goes without saying that the implementation of the five year plan has also had an influence on the severe decline of the foreign exchange reserves. Apart from large quantities of capital goods from abroad, imports of consumer goods too showed an increase, this in consequence of the fact that the production, although showing an appreciable improvement, lagged behind the money expansion, so that the increased purchasing power sought an outlet abroad. Finally attention has to be drawn to the deterioration of the terms of trade which especially took place in the first half-year.

In order to cope with the unfavourable situation a supplementary budget was submitted by the Government at the end of November last in which drastic measures were proposed to the effect to impose higher levies on capital increases and on dividends and further to raise the import duties on a number of luxury goods. At the same

time measures have been taken to restrict imports by reducing the import quota of a considerable number of merchandise. It is expected that the result will be a reduction in the foreign exchange payments on imports by Rs 300 million during the first half-year of 1957.

In 1956 the World Bank granted to India two loans of \$75 million and \$20 million respectively. Both loans are designed for financing the steel industry. So far India has received from the World Bank loans totalling \$234.7 million. A large part of these loans has, however, not yet been spent so far. With regard to the sale of agricultural surplus commodities by the United States it can be reported that with India too an agreement has been concluded. The total value of the goods concerned amounts to \$360.1 million (inclusive of part of the transportation expenses). Half of the goods is to be delivered in 1957 and 1958, the remainder in 1959; payments will be effected in rupees. Of the total purchase amount \$54 million will be considered as a grant and \$234 million as a loan for a period of 40 years. A part, viz. \$55 million, of this Rupees-loan is to be used for the financing of private industries, while an amount of \$82.1 million remains at the disposal of the United States, this for the payment of expenses in India and for the purchase of Indian goods.

Ceylon

In contrast to the years 1954 and 1955 the development of Ceylon's foreign trade has not been favourable in 1956. The value of exports decreased in the year under review by \$43 million to \$364 million, while imports, totalling \$307 million in 1955, rose by \$36 million. This development has to be attributed to a considerable extent to the deterioration of the terms of trade. On the one hand export prices suffered a setback of 10% while on the other hand import prices showed an increase of about 5%. The large surplus, on a cash basis, as shown on the balance on goods and services, amounting to Rs 349 million and Rs 384 million in the years 1954 and 1955 respectively, appeared to have practically vanished. The gold and foreign exchange reserves which in the preceding years showed such a considerable rise, increased all in all by only \$17 million to \$221 million as at the end of December last. This increase took place in the first half-year.

Over the year as a whole the money supply rose by about 4%. This rather moderate increase indicates a reasonable monetary stability. Amongst other things it found expression in the level of the cost of living, which remained almost stable. This was, however, partly due to a decrease of import duties on consumer goods and subsidies on foodstuffs such as sugar and rice.

The coming into office of the new cabinet in 1956 resulted in a reconsideration of the economic policy of the Government. The six years program of the preceding Government will be replaced by a national plan, which includes the private sector as well. The new industrial policy concedes a larger place to the initiative of the Government. In consequence of this a number of projects, for which it has first been tried to interest private individuals, will now be dealt with by the Government.

Besides the assistance under the Colombo plan, Ceylon has received for the first time this year American aid to an amount of \$5 million. In this connection it may be mentioned that in view of deliveries to the Chinese People's Republic of strategic goods falling under the embargo, so far Ceylon has not been eligible for American economic aid. The somewhat suppler attitude of the United States Government implies for Ceylon a welcome new source for

obtaining foreign exchange. In the meantime an additional amount of \$7 million already has been authorised for 1957 for economic and social development schemes.

Burma

Increased receipts attributable for the larger part to exports of rice on the one hand, and the restrictive import policy implemented by the Government as from 1955 onward on the other hand, did not fail to influence the balance of payments favourably. Within the period January through September 1956 total gold and foreign exchange reserves increased by around U.S. \$39 million to \$155.5 million, as against a fall of \$26 million in the preceding year.

Rice contracts recently concluded with various countries justify the expectation that exports of rice will show a further rise over the next few years to come. With India, inter alia, a new agreement was concluded providing for the sale of 2 million tons of rice in the years 1956/1960. The previous agreement covered the sale of 900,000 tons only for a five-year period.

Also in consequence of the above mentioned developments the money supply increased by kyats 190 million or nearly 17% since the end of 1955. Cost of living after an initial slight fall in the first half-year, subsequently showed a further upward trend, although the rise did not exceed an average of 12%.

At the beginning of September last the Government introduced the budget 1956/1957 in which ordinary expenditure and capital expenditure were estimated by 14% and 36% higher as compared with the preceding budget-year. This increase is due to higher expenditure in the security and social sector while with regard to the capital account arrears of previous years have to be caught up and measures have to be taken to raise production particularly of agriculture, forestry and mining. Notwithstanding revenue is estimated higher also, based inter alia on expected higher custom receipts and tax receipts, the cash deficit still will be in the range of K700 million or about 90% of the deficit of the preceding budget-year. It leaves little doubt that this will influence price trends unfavourably, especially so because for the time being foreign exchange reserves do not permit imports to be increased to such an extent that deflationary counter-forces can be generated adequately to make headway against the upward price tendency.

In order to check inflation at least to some extent, an agreement was concluded with the United States of America in February 1956 regarding the purchase of agricultural surplus commodities to the amount of US\$21 million, to be refunded in kyats. In the meantime negotiations are under way on the utilisation of 80% of this amount, which will be appropriated to Burma in the form of a loan. In May 1956 the World Bank granted two loans to a total amount of US\$19.4 million.

Furthermore, it is expected that within the near future an agreement will be concluded with the Exim-bank on a loan of US\$25 million to be utilised mainly for economic development projects.

Finally, it deserves note that Japan has entered into an obligation to pay yearly to Burma in the frame of war reparations an amount of US\$25 million in money, goods and services, as from April 1955. Total war reparation payments will amount to US\$250 million.

Next to providing for foreign capital by way of loans, the Government strives to improve the climate for foreign private investments in order to step up the economic development of the country in this way also.

Thailand

The principal products of Thailand are rice, rubber, timber and fish. The rice crop of 1955/1956 amounted to 7.4 million tons. Favoured by good weather conditions and also by improvements of the irrigation system, the 1956/1957 crop is estimated to exceed the previous one. It is expected therefore that Thailand will be in a position to export more rice in 1957. Production of rubber reached a peak by 133,000 tons in 1956, against an average year-production of 42,000 tons before the war. For the purpose of safeguarding the continuity of rubber production in the future, the Government has established a fund for the financing of new plantings to an extent of 80,000 hectares which represents one-quarter of the total acreage planted with rubber. To provide the money for this fund an extra duty on exports of rubber will be levied in 1957. Output of timber fell in 1956 as compared with the production of 306,000 cubic meters in 1955. Fish production is estimated at 200,000 tons per year. In order to enlarge the capacity for preserving fish, the I.C.A. has assisted among other things in building a fish-cannery, as well as a laboratory for the cold-storage of fish. Moreover, in addition to these projects a fish-oil factory will be constructed.

It can be reported that with regard to the industrial sector progress has been made. New factories such as cement factories, sugar mills, gunny mills and cotton mills were under construction or put into operation.

During the first four-year development plan (1952/1955) an amount of 800 million baht was spent on the extension and improvement of the road system. For the second plan period an amount of 3,000 million baht will be allocated for further extension and improvement of the road system. About 50% of this total will come from American aid. According to the second development plan, besides extension and improvement of the road system, an amount of 1,300 million baht will be allocated for purchasing rails, railroad equipment and railway carriages, and also for building and bridge construction. The expenditure involved will be financed from railway profits and a loan from the World Bank. Next to a loan for transport purposes, the World Bank in October 1956 granted a loan of US\$3.4 million for the purchase of dredgers and other equipment for the improvement of the harbour of Bangkok, so that this harbour will be able to accommodate large ocean going vessels. With I.C.A. aid Thailand has improved its airfields and ordered three Constellation airplanes from the U.S.A. due for delivery in 1957.

The balance of trade indicates that during the first nine months of 1956 Thailand had a deficit to the amount of US\$34 million, against a surplus of US\$11 million in the corresponding period of the preceding year. This deterioration was due to a fall in exports of rice by about 21%, namely from 2,592 million baht during the first nine months of 1955 to 2,056 million baht in the corresponding period of 1956. In the last quarter of 1956 rice exports improved again to the effect that total rice exports in 1956 will turn out to have differed little from a 1955 level. Exports of rubber, tin and timber were about the same or slightly higher as compared with 1955. As a result of the deficit on the trade balance, the balance of payments over the first nine months showed a deficit of more than US\$37 million, against a surplus of US\$3 million in 1955.

The budget deficit for 1956 amounted to 1,175 million baht, whereas in 1955 a deficit occurred of 1,224 million baht. The inflationary effect resulting from this deficit was almost neutralized by imports so that the total amount of money supply increased only slightly. In the first four months of 1956 money in circulation was higher by

1%, as compared with the corresponding period of 1955. Because imports had to be restricted at the end of 1955, the volume of imports during 1956 was higher than in the preceding year with the result that the supply of goods increased. This increase of supply and a very satisfactory rice crop caused a fall in the general price level at the beginning of 1956, which in its turn brought about a somewhat lower cost of living. This trend continued until the middle of 1956. In the last quarter of the year, however, cost of living rose again.

Viet Nam, Cambodia and Laos

The new constitution of South Viet Nam entitles the President to a very strong right of veto. It seems that this is needed very much by South Viet Nam in view of the discords suffered in the interior. The results of measures taken against the armed rebel groups have been satisfactory. Although at a rather slow pace, the new system of land reform is on the way. This system of land reform ordains that the maximum of holdings is limited to the acreage a farmer can cultivate.

The economic situation is still far from satisfactory. Rice production is very low still, although efforts are made to increase the acreage of irrigated ricefields. Low rice production forced the Government to forbid exports of rice since December 1955. The industrial sector showed some progress. In the monetary field there was a threat of inflation, notwithstanding the extensive aid of the United States of America.

As from July 1st, 1956 the Government opened a free foreign exchange market in Saigon for various services transactions, among other things to effectuate transfers of profits. For transactions in merchandise and some specific services the official rate of 35 piaster to 1 U.S. dollar is maintained. Furthermore there is a system of blocked capital accounts. Blocked capital may be transferred from one foreign investor to another foreign investor. The use of this capital is supervised by the Government. With these measures it is hoped to restore the confidence of foreign investors.

In these efforts the Government encounters several difficulties. Because of political events in recent years, there is a tendency to disinvest, while much capital which originated partly from North Viet Nam is lying idle. Moreover, proceeds of exports are low on account of lack of ways and means to repatriate capital and transfer profits to abroad, while on the other hand the Government is forced to maintain restrictions. By themselves these restrictions influence foreign investments unfavourably.

As for the balance of trade during the period January-September 1956 imports totalled P5,500 million, while exports amounted to P1,100 million (at the moment rubber accounts for about 80% of total exports). In the corresponding period of 1955, imports and exports totalled P6,600 million and P800 million respectively.

The emphasis in development is laid on agriculture and light industries. To provide the means for financing development South Viet Nam receives aid from France and the U.S.A. French aid totalled 6,400 million francs in the years 1955 and 1956, while from the U.S.A. an amount of US\$100 million was received in 1955. It was expected that American aid would reach US\$195 million in 1956.

In contrast to South Viet Nam which has a long-term development plan, North Viet Nam is implementing a development plan of two years term only. The principal objects of this two-year plan are firstly, to recover from war damage and secondly, to lay the foundations for future economic development. In order to start economic

development it is hoped that at the end of 1956 the production level of 1939 will be reached. The emphasis in development is laid on agriculture. In this connection North Viet Nam has received loans from China to the amount of 800 million Yuan and from Russia to the amount of 400 million Roubles.

Cambodia has a two-year plan for capital investments which is financed largely from abroad. The progress to be achieved includes the construction of a road connecting the capital with the port of Kompong Son. The 1956 rice crop was so large that the embargo on rice exports dating from 1955 could be abolished.

Cambodia and Laos renounced their claims on Japan for war reparations. For their part Japan will assist in the development of the said two countries. The Japanese Government has decided already to earmark 1,500 million Yen (about US\$4 million) of their 1957 budget for economic aid to Cambodia. With regard to this Cambodia has voiced their desire that Japanese aid should be limited to technical assistance in the fields of agriculture and fisheries.

Japanese aid as requested by Laos will be in the form of technical assistance to agriculture and fisheries, and the generating of electrical power from the river Mekong. For this purpose Laos is prepared to receive 5,000 immigrants from Japan.

The civil war in Laos was ended by the conclusion of an agreement between the Laos government and the armed group of Pathet Lao on August 5th, 1956.

On the 25th of August 1956, the Kingdom of Laos concluded an agreement on "peace and independent policy" with the Chinese People's Republic. Inter alia Laos undertook not to allow the establishment of foreign military bases or equipment dumps on its territory.

Philippines

The inflationary development of the Philippine economy which commenced in 1955 has continued during the year 1956. The volume of money amounting to P1,227 million in 1954, increased in 1955—more particularly in the second semester—to P1,336 million. In 1956 a further rise could be observed; as at the end of November last the money supply totalled P1,484 million. This course of affairs is partly due to the deficit financing by the Government. Net Government's borrowing from banks increased by 21% in the year under report. The granting of credits to the private sector too was augmented by 8%. In 1955 credits to the Government showed an increase of 39% while the credit expansion in the private sector amounted to 18%. These figures reveal that net borrowing from banks in 1956, although still considerable, was substantially lower than in 1955. The fact that the monetary expansion in 1956 was relatively equal to that of 1955 has to be attributed to the circumstance that in 1955 the inflation sought an outlet abroad. In that year gold and foreign exchange reserves decreased by no less than 25%, whereas for 1956 an increase of 7% could be reported. In this connection it has to be noticed, however, that in 1956 a number of assets, viz. the balance of the Philippine-Japanese open account, has been included in the foreign exchange reserves while these assets formerly were not taken into consideration. The favourable development of the foreign exchange reserves has also to be seen in the light of the decreased imports as well as the increased exports. By increasing the import duties and by decreasing the allotments of foreign exchange with regard to non-essential goods, imports fell from \$641 million in 1955 to \$592 million in 1956. Thanks to the improved terms of trade

and in consequence of increased production too exports went up from \$389 million in 1955 to \$451 million in 1956.

The cost of living showed a tendency to increase in 1956 such, i.e., in consequence of the higher prices of imported goods.

The so-called Rocas-Salvador Act was promulgated in 1956. In this act it is stipulated that 90% of the foreign exchange available for imports has to be allocated to importers who are Philippine-born subjects and to American importers; the latter regulation has been made by virtue of the parity clause in the constitution. The remaining 10% are at the disposal of other importers. In 1956 Parliament also approved of the agreement regarding the Japanese reparations payments. The total amount, viz. \$550 million, has to be paid within a period of 20 years. Payments will be effectuated in principle by means of supplying capital goods and by rendering of services.

Taiwan (Formosa)

The overriding problems Taiwan has to cope with are the rapid increase of population and the very high cost of defence. In view thereof the first four-year plan (1952/1955) was aiming at "self-supporting" and stabilization of the internal economy. The second aim has been achieved. The expectation is that within the second four-year plan period (1957/1960) the national income per capita will increase by 2%. One of the difficulties to be faced in the financing of the development plan, is the shortage of dollars. Generally speaking, Taiwan is experiencing difficulties in its balance of payments as a result of the deficit on its trade balance. The deficit on the balance of trade is usually round about US\$70 million per year, which as a rule, is covered by U.S.A. aid. During the first eleven months of 1956 imports paid for by American aid, totalled US\$90 million, against US\$76 million in the corresponding period of 1955. For the purpose of enlarging exports the Government, beside changing the system of foreign exchange certificates, is granting loans to promote exports of tea and canned pineapple. In the import sector there are restrictions on imports of goods which are produced locally.

The 1955/1956 budget showed a deficit of Taiwan \$418 million. Total expenditure is divided over the following sectors: 80.1% for defence, 10.8% for government administration, 5.7% for economic and social purposes and 3.4% for miscellaneous.

During January-November 1956 the money supply increased by 13%. In the same period the price level rose by 4½%. A further rise of prices may be averted because of higher imports to the amount of US\$293 million, including American aid, during the first eleven months of 1956, against US\$162 million in the corresponding period of 1955.

At the production side the rice crop-1956 totalled 1.8 million tons which means a rise of 6%, as compared with the 1955-crop. In general, production in the agrarian and fisheries sectors was higher in 1956 than in 1955. With the exceptions of cotton and sugar, the production of which decreased by 14% and 6% respectively, production in the industrial sector rose also in 1956 as compared with 1955.

Japan

The expansion of Japan's economy has continued in 1956, although in a somewhat slower tempo. This among other reasons is in consequence of "bottlenecks" occurring in the supply of capital goods such as power, iron and steel and further by the decline of investment activities.

The export boom, which resulted in an increase of exports of 27%, has maintained itself in the year under review. In 1955 exports amounted to \$1,954 million as compared with \$2,402 million in 1956. Exports to the dollar area augmented by about \$340 million or 45% and those to countries effecting payments in sterling by \$200 million or 28%. On the other hand a rather strong decline set in, reaching \$90 million or some 20% in the exports to the so-called "open account area", while this territory underwent a contraction. Japan, as a matter of fact, decided in 1956 to multilateralise its payment arrangements with foreign countries and more in particular with the open account area. The clearing system of Japan with Western Germany, Italy, the Argentine and Thailand has been replaced by an arrangement offering the opportunity of settling deficits in foreign currencies acceptable to both parties. Japan has the intention to conclude this kind of treaties also with other countries in replacement of the clearing arrangements still in force at present.

The increased exports and the still expanding home demand are leading to a considerable enhancement of imports. In particular imports of ores, cotton and wool increased considerably. Despite this fact foreign exchange reserves have grown to an appreciable extent, although considerably less than in 1955. In this latter year the total of gold and foreign exchange reserves increased by \$494 million to \$1,555 million, while during 1956 a further rise of \$293 million could be reported. It has to be noted, however, that the net amount of deferred payments totalling \$140 million in 1955 and \$156 million in 1956 has not been taken into account.

The shortage of raw materials essential for the production of steel, non-ferro metals and rayon yarns caused prices of these products to go up and this has to be considered as one of the principal causes of the increase of the index number of the wholesale prices with 7% in the first eleven months of 1956. The expense of living mounted with only 2%. This slight rise is in consequence of the satisfactory rice crop in 1955, which brought the price of rice down.

The Japanese industry is proceeding to an increasing extent to invest capital in oversea subsidiaries. At the end of 1956 capital invested abroad by Japanese industries amounted to \$21 million, spread over 96 oversea sales offices and 41 partly or entirely owned manufacturing subsidiaries in 23 countries. Moreover, Japanese enterprises have concluded contracts with foreign companies by which the former have undertaken to lend technical assistance. Of the 96 sales offices 58 have been established in the United States and 12 in South America. The investments in the manufacturing subsidiaries refer for the larger part to Latin America and to a less degree to South East Asia too.

In February 1956 Japan has concluded an agreement with the United States in regard to purchasing surplus agriculture commodities (S.A.C.) totalling an amount of \$65.8 million. Part of this sum, viz. the counter value in Yen of \$49.4 million, will be granted to Japan as a loan for a period of 40 years. The intention is to finance with this loan agricultural projects, power stations and other development schemes. Japan has also received from the Eximbank a loan of \$60 million for one year to be used for the purchase of cotton in the United States.

Korea

Since the end of the Korean war the budget of South Korea has met with difficulties emanating for the larger part from expenditure for the armed forces and development, with the result that the budget shows continuous

deficits. For this reason, South Korea is dependent on foreign assistance. Over the past six-year period (1950-1956) foreign aid received totalled about US\$1,500 million. Apart from this aid South Korea receives dollars spent by United Nations' and American armed forces stationed in the country. These dollar earnings have a substantial meaning for the balance of payments. From 1953 until middle-1956 the exchange of hwan totalled US\$122 million. In the same period, export proceeds amounted to US\$94 million. Due to the devaluation of the currency from 180 hwan to 500 hwan per dollar as from August 1955, dollar-hwan transactions have dropped considerably. Receipts from sales of hwan to the United Nations' and American armed forces fell from US\$34 million during the first half-year 1955 to US\$9 million in the second half-year. In the first half-year 1956 dollar receipts amounted to about US\$9 million.

The balance of payments has shown considerable deficits until now, resulting from deficits on the balance of trade. During the period January-August 1956 the deficit on the balance of trade amounted to about US\$230 million. Owing to an increase of American aid gold and foreign exchange reserves were about the same at the end of 1956 as at the end of 1955, namely US\$99 million.

Money supply during the year under report increased by 25,300 million hwan (27%), against 37,400 million hwan (64%) in 1955. The most important cause of this increase in money supply was the rise of credits granted by banks to private enterprise. In view thereof the Government has imposed direct credit control, whilst the minimum cash reserve to be held against the total of demand liabilities was raised from 15% to 25%. Nevertheless, bank credits to the private sector increased by 59,200 million kwan against an increase of 35,300 million hwan in the preceding year.

The increase of the money supply resulted in higher prices. On account of increased national production and larger imports on the basis of foreign assistance, the rise of the price level was relatively speaking not as much as in 1955.

National production measured in value was estimated to have risen by 6.4%, in the period 1954-1955. The rise of production was foremost in coal, power, textiles and other consumer goods. Production in the agrarian sector which represents 40% of total national production, increased slightly. Only the production of rice fell by 14% brought about by typhoons in the lowlands and low temperatures shortly before harvest time in the mountains. As a result of the war South Korea has changed from a country with agricultural surpluses into a minus country. This bears an impact on the economic situation, especially because 70% of the population are farmers. To develop agriculture again an agricultural bank was established in May 1956, operating with a nominal capital of 3,000 million kwan of which 750 million hwan has been paid up. This bank has 162 branches and 388 sub-branches over the country.

Production of forestry and fisheries increased slightly also; mining production rose above the 1949-level. Regarding transport, several railroad tracks were completed. The volume of goods and passengers carried rose considerably.

North Korea completed its three-year (1953-1956) development period. In the industrial sector the target was reached. On the other hand, the same cannot be said concerning the agrarian sector; this means that North Korea is still a country unable to produce enough foodstuffs for its own needs. Therefore, the five-year development plan started in 1957, besides heavy industry, names as one of the other targets the aim of becoming self-supporting

with regard to the production of foodstuffs. The investment of capital in the agrarian sector will be directed chiefly towards the construction of farm equipment, fertilizers and the improvement and extension of irrigation works.

Chinese People's Republic

Notwithstanding differences in reports on the Chinese People's Republic—some of these reports i.e. mention a lack of essential materials such as coal, oil, steel, cement and timber making itself more and more felt, so that there is an imminent danger of bottlenecks in various sectors—the general consensus is that in recent years China made satisfactory progress in the development of its industry. This can be seen from the following data.

Near Chungking a hydro turbine installation entirely constructed within the country, was put into operation with a capacity of 12,000 k.w. electricity. As well as the Chungking plant, also in Shanghai and Harbin electric power plants were built with capacities of 12,000 k.w. and 72,000 k.w. respectively. At Chinghai a powder milk plant commenced operation with a yearly production-capacity of 300,000 kilogramme powder milk. Beside powder milk this plant produces also butter and tinned milk. The capacity of the mineral oil plant in Sinkiang increased by 300%. The shipbuilding yard at Shanghai delivered from 1949 up to now 12 tug boats each powered with 2,000 H.P.

In addition to the industrial sector, communications improved too. The harbour at Tsamkong (Chanchiang) and the airport in Peking were enlarged and modernized. The new railroad, 466 miles long, which connects Amoy with the railway system in the interior, became operative in December 1956. The railroad in the province of Hunan, together with the track between Peking and Hankow, was extended so that they now form one connecting network. A new railroad of 440 kilometres length between Kweiyang and Kinchengkiang (Kwangsi) is under construction.

With regard to the agrarian sector mention can be made of the fact that in the year 1956 about 295,000 hectares of the wastelands in Sinkiang were converted into arable lands producing wheat, cotton, maize, rice and soya beans. The acreage of wasteland in Sinkiang which can be converted into arable land, is estimated at 6,500,000 hectares. It is expected that at the end of the third five-year plan (1967) 2,500,000 hectares of wasteland will be converted into farmland.

China's trade with Asian countries and the West increased substantially. Trade agreements were concluded with Eastern Germany, Czechoslovakia, France, Austria, Belgium, the United Kingdom and Uruguay.

During the month of September 1956 the National Congress of the Chinese Communist Party was held, being the first of its kind after the Yen'an Congress in 1945. At the Congress of September 1956 progress and weaknesses in the implementation of the first five-year plan (1953-1957) were discussed. Weaknesses, as pointed out, were among other things that insufficient attention was paid to industrial development in areas near the coast, while these areas are producing 60% of all consumer goods in China. Further, it was said that too much attention was paid to the production of materials for building purposes instead of to the production of capital goods, whilst the wage level was very low. When discussing the second five-year plan the Government stated that within the period of three five-year plans industries will be established on a large scale, with heavy industry as the central point. Particular emphasis

will be laid on the steel industry. In this context it is noteworthy that articles and news flashes in Chinese daily papers indicate that there may be changes in the second five-year plan. It looks as if there is some urge to shift the emphasis which was laid first on heavy industry, towards agriculture and light industries. The desire to bring about this change in the second five-year plan finds its cause in the planning in Eastern Europe, where there is a tendency to increase the production of consumer goods. Until now Eastern Europe has been the source for China's heavy equipment. Furthermore, China at present is experiencing a shortage of foodstuffs such as pork and edible oils and also of other consumer goods such as cloths, shoes, paper, bicycles and radios. This shortage is not caused by a drop in production, but by a rise in demand from the consumers side. In this connection it was reported that capital investment increased from 6,550 million Yuan in 1955 to 14,000 million Yuan in 1956. In 1956 the government engaged 2.5 million new workers.

The principal difficulty China is facing is that the increase of population outnumbers the increase of her production. The number of inhabitants amounting at present to more than 600 million, is growing yearly by 13 million. In view of an increase of population at the rate of 2.2% per year, the total of China's population at the end of the second five-year plan (1962) will amount to about 680 million.

British Colonies in South East Asia

The most important outcome of the conference held in London between Malaya and the United Kingdom during January 1956, was the prospect of self-government and independence of Malaya within the British Commonwealth. In a following conference during the last month of 1956 held also in London, agreement was reached, with one of the stipulations being that in order to meet their international obligations the United Kingdom will be entitled to keep armed forces in Malaya. The transfer of government is scheduled to be proclaimed on August 31st, 1957. From that date Malaya will be a member of the British Commonwealth having its own government.

In view of this the Malayan Minister of Finance has submitted the first draft-budget. This draft-budget for the year 1957 indicates a deficit of M\$145 million. To enable Malaya to meet this deficit there will be alterations in direct as well as in indirect taxes. The most important alterations are: income tax will be raised for the higher income group, there will be a new motor car tax, import duties and excise on domestic tobacco will be raised also. The Government anticipates from these changes an amount of M\$35 million in extra revenue, leaving the budget deficit at M\$110 million.

Malaya is, because of her rubber and tin exports, the largest dollar earner of the sterling area. Production of tin in Malaya rose by 1,000 tons in 1956, as compared with 1955; tin exports during the year under review were the highest since 1950. Rubber production in 1956 fell slightly in comparison with 1955 while exports of rubber totalling 983,000 tons, were less by 1%.

In the year 1956 the balance of trade showed a surplus of M\$13 million; in 1955 there was a surplus of M\$335 million. The substantial decrease for 1956 was due mainly to larger imports, while exports in 1956 remained at approximately the same level as in 1955.

Total expenditure estimates on account of the five-year plan (1956-1960), originally put at M\$1,560 million, were reduced to M\$1,138 million following debates in the

PAPER MONEY IN MODERN CHINA (1900—1956)

NOTE-ISSUING FOREIGN BANKS IN CHINA

By E. KANN

PART XXIII

Belgian:

(243) SINO BELGIAN BANK

Also known as Banque Sino-Belge. Was at no time a Sino-foreign enterprise, but a purely Belgian concern. Founded in 1902 with head-office in Brussels, it had a paid-up capital of Belg. frs. 50,000,000. The bank had branches in Shanghai, Tientsin, Hankow and Peking and issued notes in denominations of \$1, \$5, \$10 and \$50, which at all times were well taken care of.

Federal Legislative Council. This sum of M\$1,138 million is expected to be obtained to an amount of M\$1,127 million from long term internal loans, while the remainder has to be made up by drawing on treasury reserves, British aid and other sources.

The conference between Singapore and the United Kingdom held in London during April 1956, did not achieve any concrete results. The difficulties encountered during the discussions were mainly over the number of British armed forces to be stationed permanently in Singapore after the transfer of government.

The trade volume of Hongkong rose by 12% in 1956. Exports to Indonesia, Japan and Thailand increased while at the import side, imports from Japan and the Chinese People's Republic were higher. Imports from the latter country totalled more than HK\$1,000 million, thus reaching the highest level since World War II. Overall exports increased by 7%.

During the year under review Hongkong's industry prospered. In 1956 as many as 488 new factories were established, against 372 in 1955.

The budget year 1956/57 is showing a budget surplus of about HK\$15 million. This satisfactory result was due chiefly to very high receipts from so-called "luxury taxation", and also because real expenditure evidently was lower than originally estimated. For the budget year 1957/58 the deficit is estimated at an amount of HK\$54 million. Notwithstanding the outlook of this deficit the general feeling is that there is no reason for anxiety.

The three other British dependent territories in South East Asia are Brunei, Sarawak and North Borneo. At present the implementation of a five year development plan is under way in Brunei. Beside other projects, a highway is under construction which will connect the capital Brunei with the oil district of Seria.

North Borneo is a region endowed with natural wealth, but lacking capital and labour. Over the last three years an amount of M\$53 million has been invested for development, while immigration from Indonesia has strengthened the labour force. Imports and exports were higher in 1956, as compared with 1955. Similarly as in previous years, rubber and timber were the principal export commodities.

(244) BANQUE BELGE POUR L'ETRANGER

This was the direct successor of the Sino-Belgian Bank. In about 1920 the change in name took place. The head-office and the capitalization remained the same. The latter was soon raised to frs 75,000,000, and at various times raised further, until it reached frs. 158,000,000. In 1935 the China branches were made a separate entity, by adding to the bank's name (Extreme Orient) and also: "Branch of the Societe Generale de Belgique". The capital of the China group was fixed at Belg. frs. 30,000,000. The old branches in China were maintained, though Hongkong was later on opened and Peking closed. The bank issued notes in denominations from \$1 to 50, but was not controlled as to the maintenance of reserves. At Shanghai the note circulation never exceeded \$1,000,000. The bank enjoyed an excellent name.

(245) THE BRITISH AND BELGIAN INDUSTRIAL BANK OF CHINA, LTD.

Only from banknotes dated August 22, 1913 (5 and 10 taels denominations) it is learned that the bank existed. The notes are marked Changsha, the capital of Hunan Province. Whether or not the bank ever functioned, and whether or not the banknotes ever went into circulation, is not evident. It is on record that Hunan Province always was anti-foreign and noted for its opposition to anything foreign-sponsored, especially as regards means of controlling the financial market there. So it is quite feasible that, while well-intentioned, the bank was never permitted to operate in Hunan.

Russian:

(246) RUSSO ASIATIC BANK

Established in St. Petersburg, originally as Russo Chinese Bank, under an imperial ukaze of December 10, 1895, with a capital of roubles 6,000,000. In September, 1896, the bank received from the Chinese Government a contract for the construction and operation of the Chinese Eastern Railway (in Manchuria). As compensation the Chinese Government obtained participation for 5,000,000 K'uping taels in the capital of the Russo Chinese bank. Later on the share capital was increased to 15,000,000 roubles and 2,000,000 Shanghai taels.

In July, 1910, the Russo Chinese Bank was amalgamated with the Banque du Nord, shifting part of its capital into a reserve fund. Simultaneously, its name was changed into Russo Asiatic Bank; the latter's share capital was fixed at 35,000,000 roubles, while the Chinese Government's capital contribution was altered to 3,500,000 K'uping taels. In 1912 the Russo Asiatic Bank's capital was raised to 55,000,000 roubles, fully paid up. The bank maintained more than 100 branches, not only in Russia, Siberia, Turkestan, but also in China, Japan, England, France, U.S.A., India, etc.

As one of the consequences of the seizing of power by the Soviet regime in Russia (1918), all the branches of the Russo Asiatic Bank within Russian territory were expropriated and nationalized, i.e. forcibly taken over by the Communists. Thereupon the bank's head office was removed to Paris. But from there it could only direct the bank's affairs as far as these related to its branches outside of Soviet Russia.

On September 24, 1926, the Paris head-office cabled to the Shanghai branch to cease transacting business and not to re-open the doors of all the bank's branches on the following morning. This order was used by the Chinese Government as a basis to decree liquidation of the Russo Asiatic Bank's branch offices in China under its control. Eleven units in China were concerned by the order, not counting Hongkong, and also ignoring the four offices in Turkestan, namely Tihwa, Kouldja, Kashgar and Tschugutchak.

From 1900 onward the Russo Chinese Bank had been issuing its notes in taels and dollars in China, but never did such circulation reach noteworthy figures. From a consolidated balance sheet, as published for 1917 by the Petersburg head-office it can be noted that the countervalue of the bank's total note issue aggregated 2,715,000 roubles. At the time the bank's China branches were ordered to enter into liquidation, the total circulation of their banknotes still unredeemed was as follows:

	Dollars	Taels
Shanghai	69,022	970
Hankow	879	—
Peking	7,841	396
Tientsin	15,920	12,400
Newchwang	52,515	—
Total	146,177	13,766

The liquidators in China resolved that banknotes ought to receive preferential treatment, agreeing to pay notes presented in full, provided these were handed in for redemption before January 1, 1927. If presented after that date, they would be refused payment. Notes to the amount of \$39,666 and taels 11,858 were not cashed in time, thus becoming valueless.

A rather interesting issue of notes was made by the Russo Asiatic Bank in its Turkestan branches, Kashgar, Kouldja and Tschugutchak. Such notes were circulating there in 1913. In spite of the republican regime of China, that paper money showed on the obverse and reverse the dragon (imperial emblem). They were richly colored in a style which must have appealed to the artistic senses of the people inhabiting Chinese Turkestan. Printed by Bradbury, Wilkinson & Co., London.

But what specifically distinguished the notes from all other fiat money was the fact that they called for a fixed weight of pure gold, and not for a specified monetary unit. The series which the author had occasion to examine consisted of denominations (weight) of 1 and 2 fen gold, as well as 1 and 5 mace and 1 tael weight of pure gold.*

(246a) RUSSO CHINESE BANK

See 246, Russo Asiatic Bank. Change to the latter name took place in 1911. The bank's original Chinese name was retained.

* The author supplies here so many authentic details, because he has for many years been branch manager of the Russo Chinese and Russo Asiatic Bank in China and Manchuria.

Japanese:

(247) YOKOHAMA SPECIE BANK

Established 1880 with head office at Yokohama. By 1942 the paid-up capital of the Specie Bank was 100,000,000 yen. The bank had a note-issue in China, proper, especially at Shanghai, Tientsin and Hankow, but probably also at its other China branches. Boycott movements by the Chinese, especially in 1918/19, induced the bank to withdraw its note-issue from traffic. Same, having at no time been large, could not have been remunerative. Denominations were in notes of \$1, \$5, \$10, \$20, \$50 and \$100. Apart from its silver yen circulation in Manchuria, the Yokohama Specie Bank had, at the end of 1929, the following notes outstanding in China: Taels 21,663 and silver \$1,802,843.

On the other hand, the Yokohama Specie Bank has had an issue of banknotes calling for silver yen, which played an important role in the financing of the soya bean trade of Manchuria. This issue was inaugurated in 1903 in Manchuria (Newchwang) and consisted of denominations of \$1, \$5, \$10 and \$100. In 1907 the bank obtained the privilege of a note-issue for all Manchuria, the place of issue and redemption being the port of Dairen. The highest circulation figure was reached in 1911, when yen 7,200,000 was out. In 1921 the total had declined to yen 1,037,000, but by 1930 it had risen again to silver yen 5,218,000. A fuller account about the career of silver yen is rendered elsewhere in this discussion. Such banknotes which for a long time were convertible upon demand into Shanghai taels (silver) by cable or demand draft, proved of distinct value to the large grain trade of Manchuria.

(248) BANK OF TAIWAN

Started in 1899 with head office at Taipeh, Formosa, as special bank for that part of the Japanese empire. Its capitalization in 1942 stood at yen 52,500,000.

Its branches at Shanghai and other China ports had a moderate issue of dollar notes. However, due to repeated anti-Japanese boycotts by the Chinese people, the Bank of Taiwan voluntarily withdrew its note issue on the Chinese Continent altogether. Notes were in denominations of \$1, \$5, \$10 and \$100.

(249) BANK OF CHOSEN

Founded in 1909 as the Central Bank of Korea with a capital of yen 10,000,000, of which only yen 2,500,000 was paid in. In 1942 the bank's capitalization stood at yen 25,000,000.

Strictly speaking, this institution, while maintaining sundry branches in China and Manchuria, never had a note-issue in terms of Chinese currency. On the other hand, it placed into circulation considerable amounts of notes calling for Japanese yen. These were meant primarily for circulation within Korea, but its fixed policy also was (at least until 1931) to systematically spread the issue throughout Manchuria as well, which then was a part of China. While the bank's total volume of circulation is available, the portion pertaining to Manchuria cannot be recorded and, at most estimated. Such estimates culminate in an average circulation volume of about 40 million yen as far as Manchuria until 1931 was concerned. In September of that year Manchuria was forcibly detached by Japan and (temporarily) transformed into a puppet state, styled Manchukuo. From 1932 on the dictated policy of the Bank of Chosen was to withdraw its yen notes from Manchukuo, in order to make room for the sole emission of the Central Bank of Manchukuo. Merely as a

WOMEN'S ROLE IN CHINA

If it were true that the Chinese scholars ruled the Emperor, the women, albeit invisible, ruled the scholars, and it is not without significance that for the first time since 1953 a National Women's Congress was opened in Peking on September 9, at which there were more than 1,200 delegates from all parts of the country. They included "a newly liberated slave," a General, industrialists, scientists, engineers, professors, artists, writers, Government Ministers, people's deputies, peasants and workers—to reverse the order as given in the official news agency report. Delegates were present from many socialist countries and parties, together with the leaders of the Chinese Communist Party and Government, including Chu Teh, Liu Shao-chi, Chou En-lai and Chen Yun, as well as leaders of the collaborating parties and groups and people's organizations. The conference, lasting eleven days, reviewed women's work over the past four years and defined the tasks for the future.

matter of general interest it might be recorded here that, by the close of the year 1941, the note-issue of the Bank of Chosen amounted to yen 742,000,000, none of which was in Chinese currency. By the end of the year 1942 the Bank of Chosen's total circulation amounted to yen 908,646,000.

Portugal:

(25C) BANCO NACIONAL ULTRAMARINO (Macao)

Though domiciled on colonial ground, Macao nevertheless is situated on Chinese soil. The bank's head office is located at Lisbon. In Macao the bank supplies the market with currency; the unit is called Pataca, and is at par with the Hongkong dollar. In pre-war days Macao's note circulation was about 1,000,000 Patacas, but after the war the total has considerably mounted. The highest circulation figure in 1945 was 28,100,000 Patacas; in February of 1946 it stood at 24,800,000 million; end of February, 1947, it aggregated 21.5 million Patacas. In 1946 a sub-branch was opened in Hongkong.

The Portuguese colony of Macao (in 1955 it was designated as province) is situated in the delta of the Canton river; it comprises about 11 square miles in size. A census taken in 1927 divulged a population of 157,000, but at the opening of 1956 this figure was reduced to about 107,000, mostly Chinese residents. The occupation of the peninsula by the Portuguese dates from A.D. 1557, but it happened only in 1887 that Portugal's sovereign rights were formally recognized by China.

Macao's currency, the pataca, is linked to the escudo at about 5 escudos to the pataca, but actual market quotations move considerably. Macao never succeeded in creating industrial centers; its main activities, even in the 1950s, were licensed gambling, opium, smuggling and kindred enterprises.

The bank of issue is a private institution under Lisbon government supervision. The same institution also operates and issues currency in the two other Asian territories owned by Portugal, namely Goa and Timor. The Macao bank does not quote rates over the counter; exchange quotations are determined in each specific case after negotiations. Toward the end of 1955 quotations between the Macao pataca and the Hongkong dollar were at or near par. At that juncture the Banco Nacional Ultramarino's note circulation in Macao aggregated 22½ million patacas.

Significantly enough, the foremost topic was the two different roads of capitalism or socialism, which the Party has laid down for all the various organisations, and the chief purpose was to conduct criticism of bourgeois ideology and to "expose the rightist scheming" of those who were against the Communist Party, socialism and the people. "We will thus raise our own socialist consciousness," said the President of the All-China Women's Federation, Tsai Chang. "Politically and ideologically we are engaged in a great socialist revolution and must fight out the issues and achieve total victory. Led by the Communist Party, the Chinese people have achieved the socialist system for which they have striven so many years. The women of China now enjoy equal rights with men in the political, economic and cultural fields and in social and family life. They have contributed a great deal to the country, with a deeper love of country, initiative in work, and feeling for socialism."

The Vice-Chairman (Chang Yun), however, said it would take a long time before China could completely transform its heritage of economic and cultural backwardness, despite the great achievements of the past few years. But the social status of peasant women, who comprised the majority, had changed markedly with the spread of co-operation. Women members received the same pay as men for the same work and women had been elected managers or assistant managers in three-quarters of the co-operatives. Women workers had also doubled to three million. One in every five deputies of local people's congresses was a woman and 148 were elected deputies to the National People's Congress. There were also a number of women Ministers. Married life was much happier for most people, since the elimination of feudal marriage and the rise of a new social morality of respect for the old and love for the young. This, she said, should be consolidated until it became universal and spontaneous. The present tasks of the women's movement were to consolidate the socialist system and to use every effort to build up the productive forces of society so as to help China become a great socialist country as quickly as possible. In the political and ideological fields, it was just as important for women as for men to achieve success in the present struggle against the bourgeois rightist ideology.

There may be nothing specially sinister about it, but the new Constitution for the Women's Federation alters the title and drops the word "Democratic". The new name, it was argued, was "more suited to the present situation and tasks"—and that does sound a little more undemocratic! But the official excuse for the change was that the old constitution adopted at the first congress in 1949 defined the tasks of the Federation as to strive for a unified people's democratic republic and complete the new democratic revolution. Other changes proposed were in the direction of strengthening collective leadership.

Much the longest statement, presented in the form of a report, at the Congress of Women was that of the Vice-President of the Federation, Chang Yun, who summed up the work of the past four years. She proclaimed that the women's zeal for work had never been so high and that the scope of their labour had been greatly enlarged, though one has not yet heard of women miners, the sight of whom in the Soviet Union mines so greatly shocked visited officials of British mining unions. It is on the farms, of course, where their labour makes the largest contribution to national economy, not only in the fields but in respect of household efforts and family auxiliary pro-

duction. Women are taking a full part in the leadership work in the APCs, and Mme. Chang Yun made the startling statement that two-thirds of the 756,000 APCs throughout the country are headed by women directors or women deputy directors, numbering more than half a million. An even larger number of women are members of the co-operative committees and production team leaders. Large numbers of women engaged in handicrafts have also joined the handicrafts co-operativization movement. By the end of 1956, over 1½ million handicraftswomen, or about 30 per cent of the total number of organised workers in handicrafts, had joined the movement. Women workers have also risen greatly in socialist construction. Women have a long tradition in building work, and their numbers have doubled to three million who toil and toil in all fields of socialist industrial production. At the end of 1956 over 110,000 women workers in industrial and mining enterprises throughout the country were elected advanced producers or advanced workers. The principle of equal pay for similar work of men and women has already been realised.

It was claimed in this report that women of all nationalities in China are taking an active part in the management of the affairs of the country. More and more women activists were being chosen for leadership posts in government organs of all levels.

"This marks more clearly still the fact that our women, who were social slaves (sic) have become mistresses of society"—a claim which seems to ignore the notorious influence of the women throughout China's history, albeit behind the scenes. In 1956 over a million women were elected delegates to basic level people's congresses, and there are 148 women delegates in the National People's Congress. Many women are ministers or vice-ministers and heads of divisions and bureaus in the State Council; there are women deputy governors and department and bureau chiefs under the provincial people's councils, as well as women magistrates, mayors, and chiefs of autonomous chow, banners and chu. More than 1,000 are also working in the courts of all levels as presidents, tribunal directors or judges. There were only 2,319 women professors, lecturers and assistant professors in all the institutions of higher learning in 1950; the number now has risen to 11,207. There are also 37,761 women teachers in middle schools and another 347,785 in primary schools. Women medical and health workers in all levels exceed 850,000, while dur-

ing the academic year 1956-7 girl students in educational institutions of higher grade numbered over 100,000, or nearly a quarter of the total. In middle schools girls numbered 1,720,000, or 29 per cent of the whole; and in primary schools girls exceeded 22.3m., or 35 per cent of the total.

Chang Yun warned the women that all would have to work hard for another ten or fifteen years, and perhaps longer, to lay an adequate material foundation for the conversion of backward, agricultural China into an industrialised country, which is now the supreme interest of the nation. They must firmly and unwaveringly follow the Socialist road, and accept the six criteria laid down by Chairman Mao.

Altogether this seems to have been the most apathetic congress the women have ever held. It opened, of course, under the influence of the receding tide of criticism and the angrily advancing tide of the counter-offensive. It is said that women are naturally voluble. They do not appear to have been so in this case. Nor after the President, Tsai Chang, had delivered herself in her opening speech, was there much to bite on. Only the briefest reports appeared in the Party papers, but the almost inevitable People's Daily editorial on the topic was missing. There were 1,200 delegates present and many of them were persons of eminence. Even a conference of illiterates used to fare better in the Party Press than did the Women's Congress. Perhaps it was because the President announced at the start that the Congress would debate the two different roads of capitalism or socialism, and would conduct criticism of bourgeois ideology and expose the Rightist scheming of the opponents of the Communist Party, of socialism and of the people.

It has always been difficult for a non-Communist to comprehend how one may "oppose the people;" one can only conclude that there is some confusion here and that (as in so many other instances) the Party has assumed that it is alone the people. But though all the recognised clichés were trotted out, it was obvious even in the case of this speech that it was made a measure for the occasion rather than a real expression of the lady President's mind. There was a good deal about the attendance of foreign women guests, but if their attendance was a great encouragement and support to the Chinese women, as the President averred, they could hardly have got much encouragement and support themselves from the Congress.

CHINESE DEBATES ON YANGTZE DEVELOPMENT PLANS

In the past eight years the Chinese have built fairly large numbers of water conservancy works and hydro-electric stations for flood prevention, power generation, irrigation, water transportation and supply. But some of the engineering works were carried out without over-all considerations of the river basins in question owing to the limitations then imposed by conditions. A number of works were actually started solely because of the direct purchases in hand without regard to the demands of the other departments of the national economy. For instance, it was not until the Kwanting, Tahofang, Futzuling and Meishan reservoirs were well under construction that the relevant departments revised the original plans so as to form water conservancy nuclei combining the roles of flood prevention, power generation, irrigation and supply of water to cities and industries. Plans were then made to raise the dams and enlarge the capacities of the Huaiho, Shihmantan,

Paisha and Poshan flood prevention reservoirs to serve also the purpose of irrigation. But when changes have to be made like this, losses to the State result. This drives home to the experts the importance of comprehensive utilisation of rivers.

In 1954 the Ministries of Water Conservancy, Power Industry and Communications co-operated, with the help of Soviet specialists, in planning the comprehensive utilisation of the Yellow River. They took into full consideration the demands for flood prevention, power generation, irrigation, and transportation, and brought forward an overall plan for harnessing the Yellow River. This set a good example for developing and harnessing the main streams of the country. Since 1954, plans have begun on the Yangtze, the Huai River, the Haiho, the Pearl River, the Heilungkiang, and the Liaoho. Preliminary reports on the comprehensive utilisation of the Huai River and the

Haiho have been completed. Planning personnel have exhaustively studied the natural and economic characteristics of the basins and have undertaken great and complex work. But there are still points in the planning that have to be deliberated upon. The plan for the comprehensive utilisation of the Huaiho basin aimed at the solution of flood and drought disasters and provided for the establishment on the river's tributaries of four water reservoirs—the Futzuling, Hsianghungtien, Motzutan and Lianghokou.

It is noted that the Piho basin on the upper stream of the Lianghokou measures only 4,280 square kilometres and that its average flow for quite a number of years in the past is 3,100 m. cubic metres. But the total capacity of the four reservoirs is as big as 7,500 m. cubic metres, which requires an investment of 360 m. yuan. How economical and rational the foregoing plan is therefore is open to doubt. The plan suggests the establishment, on the main stream of the Huaiho, of a Linhuakang system of control which measures 100 kilometres in length, necessitating the evacuation of half a million inhabitants, the inundation of a million to a million and a half mow of arable land and an investment of 400 m. yuan. The purpose is to control the possible menace of a flood of a gravity that appears about once in every 300 years. But the plan provides as measures for flood drainage on the arable plain guarantees against only those damages that result from torrential rains appearing once in every ten or twenty years. In fact, when the once-in-300-year flood does come, most of the area will be inundated by waterlogging and while the reservoirs will be set up for the prevention of floods, they will not be effective in draining water. This engineering project therefore seems to call for further study.

Similar conditions exist in the report in the planning of the Haiho basin. The report suggests the establishment of large water reservoirs on practically all the tributaries of the Haiho for the prevention of floods that appear only once in a score or a hundred years. Soon, eleven reservoirs will be built, entailing an investment of 2,000 m. yuan (about £300 m.). A survey of the problem in an article in the Peking People's Daily expresses the opinion that the standard of flood prevention should be reduced, the number of large reservoirs cut down, and mass and comprehensive water constructions be developed. Small reservoirs may be built in mountainous regions and trees may be cultivated. In the plains, ditches may be developed and water in ponds and pots utilised to change the types of crops to be planted. This will obviate large capital investments and ensure quick returns. A number of persons, however, have solely depended on the State's investments to build water conservancy works and have neglected the mass types of works. They took no heed of the State's actual conditions when they considered the question of investment. The Huai River report suggested an investment of 5,400 m. yuan in the immediate future, and the Haiho report called for an investment of Yuan 7,200 m.—investments on mass work excluded. Such a large expenditure on agricultural water conservancy construction in a given area seems unsuitable for China's economic condition in the near future. Such planning reports have "little realistic significance."

Then the question of the Yangtze is commented upon. Its harnessing and development will have an important bearing on all departments of national economy. There have been many debates since the work was begun last year for drafting the main points of the planning for the Yangtze basin. "Comrades responsible for the planning think only of building a large reservoir on the three gorges, on the main stream of the Yangtze, thereby settling once and for

all the Yangtze flood problem with its history of about a thousand years. They also advocate construction of a large number of industries and enterprises to absorb the 100 m. k.w.h. to be generated. They provide for 10,000-ton steamers to reach Chungking direct. Another section of opinion holds that harnessing of the Yangtze must be preceded by due developments of the national economy, with the tributaries to be developed first and then the main stream; small engineering projects to be developed first and then large ones; utilisation of the available dykes and lakes and marsh lands to come first and then large main stream and tributary reservoirs for comprehensive utilisation, thereby gradually raising the flood prevention standard. Our opinion is that such debates are good, because we can draw the right conclusions from them," comments the Peking mouthpiece.

It goes on to say that it is clear that planning on the comprehensive utilisation of the rivers is a very difficult and complicated task, involving many departments. But a plan of national character is still lacking, and a plea was entered for the working out, under the guidance of the National Planning Commission, of a relatively complete river plan, setting down the principles for its important problems, such as the determination of flood prevention standards, comprehensive utilisation of the works built, the way of calculating the shares of investment to be put in, the calculation of the economic value of the arable land, and towns and cities to be inundated. Finally a unified announcement by the State may convert it into a plan to be observed by all.

The State has not yet made any clear-cut stipulations as regards the organisational work for the plan on the comprehensive utilisation of the river basins. Duplications and lack of co-ordination have occurred as a result. The Yellow River project set up a good example for planning on large river basins and it is necessary that a Planning Commission be set up under the State's leadership. The principle of comprehensive utilisation of rivers has been accepted by all. But the problem involves several departments of the national economy and divergent views have appeared on some fundamental and concrete matters. The problems have been ventilated in the People's Daily as well as in a variety of conferences to promote wider discussion in the hope of facilitating the completion of more satisfactory planning on the comprehensive utilisation of rivers.

The major point driven home is that comprehensive utilisation of a river requires wise planning and the investigation and analysing of all relevant problems. It is necessary to attend not only to a major river's tributaries but also to its main stream; not only to flood prevention, drainage and irrigation but also to the problems of power generation, water transportation and water for cities and industries. The planners have to bear in mind not only water reservoirs but also dykes and water catchments on depressed land; not only hydro-electric stations but also thermal power stations; not only irrigation through flowing streams but also water-drawing irrigation facilities, wells and ponds; not only the benefits to be derived from river utilisation but also the State's investment and the price that has to be paid for inundation, and not only immediate demands but also long-term development. "Only with these co-ordinated considerations," said the Peking People's Daily, "will we be able to satisfy the immediate demands of the departments concerned, meet the long-range development of the national economy, and spend wisely on water works for the prevention of droughts and floods and for the harnessing of natural resources, bringing the largest possible benefits to the national economy."

POSTWAR DEVELOPMENT OF POWER SOURCES IN JAPAN

Results of Postwar Development

It was in April of 1949, four years after the end of World War II, that a plan for power source development was formally taken up as a matter of major importance in postwar years. There was once a time after the war when supply of electric power far exceeded the demand as a result of a disappearance of munitions production. Nevertheless, postwar demand for electric power staged a spectacular rise. In consequence, electric power began to run heavily short from about 1947, with emergent breakdown of power supply posing a serious social problem both for home life and industrial operation. To cope with such shortage of electric power, a cry was voiced for stepping up plans to develop electric power sources in a positive way. As Japan, however, was then under the control of occupation forces, she was not in a position to materialize the projects immediately after the war. All that Japan could do under such situation was to weather a difficult position narrowly by rehabilitating the devastated power plants and coordinating, though in a negative way, the demand and supply of electric power under the electric power allocation system. With a turn of occupation policies which became clear from the end of 1948, the plan for power source development was established in 1949 and carried into execution for the first time since the war came to an end.

The development plan was formed under the name of the five-year program of power sources development to constitute a part of the Five-year Plan for Economic Rehabilitation worked out by the Economic Stabilization Board under the Nine-Point Economic Stabilization Program. The program was aimed mainly at the resumption of construction of power plants amounting to 750,000KW at 33 places which had been left unfinished since the war's end after having once been started during the war. Compared, however, to today's development programs it was on a very small scale. The work commenced in December, 1949 with US aid counterpart funds.

In 1950, the following year, when a sharp upcurve in industrial activity was expected from the outbreak of the Korean war, the government planned to build new power plants amounting to 207,000KW. But the scheme for the new development later saw no prospect of materialization as it became impossible to obtain permission for the use of the counterpart funds in conjunction with the reorganization of the electric power industry then at issue. Thus, the program had to be put off until 1951.

In the first half of 1951, however, it appeared very difficult to procure funds under the influence of price hikes in commodities caused by "Special Demand Boom" since the Korean outburst. In October of the same year, power supply was heavily tightened due to an abnormal dearth of water, resulting in intensified restrictions on electric power use. Industrial activities naturally were placed under a large-scale control. With the decision, however, of a release in December of the counterpart funds amounting to ¥10,000 million development work began to show rapid progress, and started construction of 1,600,000-KW new power plants.

The turn of the year 1952 saw a growing tendency in the country to step up development of power sources, with

a new construction of 1,180,000-KW plant along with continued construction work of 1,290,000-KW plants.

Earlier in February, 1952, two major plans were made public almost simultaneously. One was the five-year (1952-56) power source development plan mapped out by the Public Utility Commission and the other a scheme for similar purposes framed by the Economic Stabilization Board. The former aimed at the increase of 5,750,000-KW in hydroelectric power plants and of 1,520,000-KW in thermal power plants up to 1956. To raise the funds of about ¥1,000,000 million required for the plan, a huge amount of foreign capital was sought, at the same time a plan was laid down to establish four private development companies throughout the country. The latter scheme shaped by the Economic Stabilization Board was a combined idea based on programs proposed by various ministries. It envisaged development of power sources by constructing a 2,950,000-KW hydro-electric plants and a 1,080,000-KW thermal plants as the first batch of work to be started by 1952. Funds for this work were estimated at ¥450,000 million. Inclusive, moreover, of the second batch of work set about after 1953, the funds figured out at about ¥600,000 million. Compared, however, to the former plan, the latter was formed on a smaller scale in view of an unstable capability of procuring domestic funds. Under this scheme, establishment of a special corporation—the Power Source Development Company, unique in this country—was contemplated to take care of power source development at the spot selected for the national land development including the Ishikari and Itakami rivers, besides the big-scale power sources of the Tadami and Tenryu rivers. For the materialization of the project, the Law for Expediting Power Source Development was enacted in July, 1952 and the Power Source Development Company made its debut in September of the same year. These two plans of the Public Utility Commission and the Economic Stabilization Board failed to be decided as official programs for power source development, but remained the basic plans to serve as standards for establishing similar projects in later years. The 1953 program involved a continued construction of 3,531,000-KW plants as well as the building of new plants of 923,000-KW.

Subsequently, the Economic Counsel Board, successor to the former Economic Stabilization Board, and the International Trade and Industry Ministry took the lead in making a full-scale study of power source development projects, with the result that a five-year electric power program for 1953-1957 period was decided upon formally by the Power Source Development Coordination Council in October, 1953. This plan called for new development of about 5,120,000-KW power plants for hydraulic and thermal on the assumption that power consumption at consuming end in 1957 would reach 53,400 million KWH (average rate of annual increase for the planned period at 5 percent). The total power plants of 5,120,000-KW comprised 3,250,000-KW for hydroelectric power plants, 120,000-KW for thermal power plant and the plants developed after 1954. Of the total, electric enterprises accounted for about 4,130,000-KW, or 90 percent, and general domestic use for 310,000-KW. Funds for the plan totalled ¥835,400 million, including ¥17,100 million procured as foreign

capital. This five-year program was established on an extensive scale with an end to eliminate the power shortage by the target year under the nation's consistent principle of "hydro-mains with thermal-auxiliaries".

The power source development fund for 1954 was pared down under the influence of deflationary policy pushed ahead by the government. But the program, which envisaged development of a total of 3,910,000-KW power plants including 2,760,000-KW for hydro-electric and 1,150,000-KW for thermal made good progress. Fund procurement also made big headway as expected thanks to the abundance of rainfall in the first half of the year coupled with a revision of electric charge in the second half which helped push forward capital increase in electric power companies.

Next, the power source development plan for 1955 was decided at a meeting of the Power Source Development Coordination Council in July, 1955 on the basis of the five-year electric power program (demand in the target year 1958 given as 57,500 million KWH and power required for development in the planned period as 4,600,000-KW). According to this plan, the volume of development work for 1955 was set at a total of 3,780,000-KW for both hydraulic and thermal consisting of 2,980,000-KW as a carry-over from 1954 and 800,000-KW for newly started work. Funds for this program were estimated to total ¥170,000 million for generation, transmission, transformation and distribution. The postwar power source development was proceeded under the above programs and with the foregoing outlook. The following Table 1 shows actual results of such development work during the period of from 1945 to 1955.

Table 1
Details of Hydraulic and Thermal Power Plants Completed in Postwar Years

Fiscal year	Hydraulic		Thermal		Total	
	No. of power plants	Output (KW)	No. of power plants	Output (KW)	No. of power plants	Output (KW)
1945	6	44,400	—	—	6	44,400
1946	7	44,550	1	8,000	8	52,550
1947	7	59,900	2	26,000	9	85,900
1948	12	86,600	2	38,000	14	124,600
1949	13	45,350	6	15,600	19	60,950
1950	9	55,000	9	58,750	18	113,750
1951	22	261,147	23	162,740	45	423,887
1952	22	223,140	32	140,080	54	363,220
1953	50	694,480	20	389,100	70	1,083,580
1954	39	598,060	46	400,275	85	998,335
1955	53	1,107,245	48	626,814	101	1,734,059
Total	240	3,219,872	189	1,865,359	429	5,085,231

As a result, the total output of the nation's power plants as of the end of March, 1956 reached 14,512,000-KW, consisting of hydraulic power of 8,909,000-KW and thermal power of 5,603,000-KW. Compared to 10,228,000-KW at the end of December, 1954, Japan's electric power rose about 40 percent, or 4,284,000-KW in 10 years after the end of World War II.

Electric power demand, however, always rose far above the estimated figures in development plans. Accordingly, the nation could by no means erase power shortage except in the deflationary period of 1954.

The Present Situation

In place of the long-term program formed in December, 1954, six-year electric power plan was established in January, 1956 along the lines of the five-year government scheme for economic independence and in consideration of a subsequent increase in electric power demand. This plan envisaged raising of the estimated rate of demand increase from the original 5 percent to 6 percent, while aiming at the completion of the installation of an approximately 6,000,000-KW power plants up to 1960 on the assumption that a total demand would reach 69,200 million KWH in that year. Funds for the power development required in the plan were estimated at ¥999,200 million.

However, with the middle of 1955 as a turning point, Japan's economy began to stage a marked expansion, getting out of deflation by virtue of rich harvest and export boom. In consequence, demand for electric power showed a remarkable upswing after the second half of 1955. Actual demand in 1955 increased about 11 percent over the previous year, with the rise in the second half ranging at 14.5 percent, or more than double the 7 percent for the first half.

The power source development program for 1956 was formed in May of the same year under such conditions. However, the five-year plan for economic independence, which formed the basis of the power source development program, was already on so small a scale that it had been considered necessary to undergo an adequate revision. Besides, there was also a need of studying thoroughly the six-year electric power plan. In these circumstances, the government decided, first of all, on a development project within the limit of the six-year electric power plan. Another decision was made to advance construction work on new plants scheduled after 1957 in consideration of a growing easiness in fund procurement and of the possibility that power demand after the second half of 1955 would double as much as was originally estimated in the six-year electric power plan. Under the decision, construction of a 1,700,000-KW plants, twice as much as the originally-planned one of 800,000-KW, was contemplated together with construction of a 3,300,000-KW plants carried over from the previous year. However, industrial activities later staged a brisk development, resulting in a 20 percent rise in the consumption of electric power. With fears naturally growing that the demand and supply of electric power may heavily upset the balance after 1957, it was considered urgently necessary to revise the six-year electric power plan. In January this year, the Development Coordination Council decided on an additional construction work on a new 1,570,000-KW plants to be involved by the 1956 development project.

At present, Japan's largest hydro-electric power plant is the Sakuma power plant, of the Power Source Development Company which started operation in April, 1956. It develops the maximum output of 350,000-KW. The dam built on the Tenryu River is 150 meters high. The available water reserved in an artificial lake measures 205,444,000 M³.

Meantime, the Power Development Coordination Council at a meeting in last January, decided on a new five-year electric program by revising and enlarging the six-year electric power program shaped earlier in January, 1956.

As such expansion scheme laid emphasis on the installation of plants with huge capacity, it was impossible to expect completion in a short space of time.

Under these circumstances, the total capacity of the facilities completed during 1956 was no more than

937,000-KW, including 688,000-KW for hydro and 249,000-KW for thermal.

The New Power Program

(1) The target year: 1969 fiscal year.

(2) Estimated demand: Under the six-year electric power program, consumption of electric power in 1960 was estimated at 69,200 million KWH on the assumption that it increases annually at the rate of an average of 6 percent.

Under the new plan, however, the rate of annual increase was revised upward to 9.5 percent in view of subsequent tendency with the result that the power consumption in the year has been estimated at 83,700 million KWH.

(3) Supply: The development is stepped up by combining hydro and thermal power in the most economic way. For the development of thermal power, special emphasis is laid on the construction of a high-efficiency plant with big capacity. In the case of hydraulic power too, efforts are made for its development by constructing power plant with large-scale reservoirs in harmony with the big-capacity thermal plant.

As regards transmitting and transforming facilities, emphasis is put on the rational coordination of equipment and the alleviation of transmission loss factor in accordance with a rapid expansion of electric power system.

(4) Estimated volume of development: The maximum output of equipment which must be completed within the period under plan is estimated at 8,400,000-KW, a 68 percent rise over the 4,946,000-KW expected for the corresponding period to the old six-year program. On the 8,400,000-KW, 3,600,000-KW account for hydro power and 4,800,000 for thermal power.

Naturally, the maximum output of power plants at the end of 1960, inclusive of the plant already completed, would reach a total of 22,200,000-KW (12,400,000-KW for hydro power and 9,800,000-KW for thermal power) to bring demand and supply in balance.

(5) Necessary funds: A total of ¥1,326,100 million, (including transmission, transformation and distribution work and repairs).

(6) Others: For increase of thermal power plants there is a question on the acquisition of fuels. To cope with this, atomic power should be taken up for discussion, first of all. The plan under review does not include the atomic power, but it is urgently necessary for electric enterprises to envisage good use of the new energy.

In forming the development plan for 1957 at the end of last April, the government clarified its attitude of laying stress on the construction of dams for use of hydraulic power as well as on big capacity for thermal plants.

With these in view, construction work was decided to include 1,887,000-KW power plants and continued work on a 5,970,000-KW plants.

Future Problems

As the demand and supply of electric power now stands, Japan is still far from an abundant supply of power. Power shortage is expected to remain at a peak at least during this year. Viewed from a point of "cheap power supply", the hydraulic power, which was lower in generating cost than thermal power, has tended toward gradual upswing in cost because of a sizable increase in development cost (swelling compensation money). Meantime, the thermal power has seen a downward trend in cost due to recent

modernization of plant facilities. The difference in cost between the two items naturally has been narrowed to a considerable extent, with the result that the traditional development principle of "hydro-mains with thermal-auxiliaries" has now been changed to "thermal-mains with hydro-auxiliaries". Increase of thermal power plants and the outlook for the increase have posed a problem on fuel acquisition in the future, intensifying inevitably the need for early realization of electric power generation by atomic energy.

The recently-announced third plan for modernization of electricity framed by the Investigation Committee for Power Plant Modernization indicates various suggestions on the above problem and power source development in Japan. Outlines of the third plan are:

(1) Electric power demand in 1956 fiscal year is estimated to increase to 116,900 million KWH from 44,000 million KWH in 1955 at the annual average rate of 10.3 percent on the compound interest method. Transmission loss factor is estimated to decrease from 18.4 percent in 1955 to 10 percent in 1965.

(2) To meet the demand in 1965, hydraulic power plants of nine major electric power companies will be increased to 11,696,000-KW from 7,492,000-KW in 1955 and thermal power plants to 14,592,000-KW from 4,077,000-KW.

In the case of other interests outside of the nine firms, power plants will be increased to 4,368,000-KW in 1965 from 570,000-KW in 1955.

(3) Fuels required for thermal power generation in 1965 are estimated at 13,000,000 tons for coal; 4,400,000-KL for heavy oil; and 5,200,000 tons for atomic energy in terms of coal. All told, 26,200,000 tons of fuel are needed.

(4) Funds for the plan will total ¥2,931,800 million, including those required by the nine electric power companies and the Power Source Development Company.

(5) Main development formulas:

a. To discontinue development of canal system power station and speeding up the development of big-capacity pond power station, while making it possible to generate electric power on a pumping-up method.

b. To increase the number of power plants, using heavy oils and thermal-power generators of cross-compound type with a capacity of more than 250,000-KW.

c. To develop 1,500,000-KW of power plants by atomic energy by 1965.

d. To install large-sized thermal power stations at heavy-oil distributing centers.

e. To materialize an extra high-voltage transmitting route with a capacity of from 270,000-V to 380,000-V.

Thus, this plan is aimed at securing quickly a strong power supply enough to keep a reserve of electric power by stepping up the development of power sources including atomic energy in an effort to meet the increasing demand for electric power. It also voices the urgent need of correcting the inefficiency of transmitting and generating facilities caused by estrangement between power sources, power consumption zones and fuel distributing centers.

ECONOMIC REPORTS FROM MANILA

Goodrich International Rubber Company celebrated the first anniversary of its tire factory in the Philippines. The company surveys have shown many additional areas in Mindanao, Sulu and Palawan are suitable for growing rubber trees to meet an estimated annual raw rubber requirement in the Philippines of 17,000,000 pounds. The country's current raw rubber production is about 2,600,000 pounds a year.

Deportation of all aliens found violating the country's foreign exchange and tax regulations was urged upon Pres. Garcia by the Central Bank and the Finance Department. The recommendation stemmed from discovery of an alien-controlled textile mill here which has been importing finished goods under the guise of raw materials, overvaluing and misdeclaring same, and operating with a huge dollar allocation not justified by the mill's output. Bank and Finance Department officials are recommending that the mill be closed and its tax exemption privileges cancelled.

Gerald Wilkinson, president of the Eternit Corporation, announced that the firm will build a modern plant here for the production of high pressure pipes. Wilkinson says that foreign investors in Eternit have agreed to supply machinery for the plant in exchange for participation in increased capitalization of the company.

The Philippine Association of Civil Engineers has protested the decision of the Public Works Department to award construction of the Marikina Dam to a Japanese firm and finance it through reparations. Philippine engineers claim the procedure is illegal, since Republic Act 1298 specified the dam should be financed through bonds or loans.

The Republic Savings Bank, with 38 branches in the Philippines, has been converted into a commercial bank under the new name of Republic Commercial Savings Bank of the Philippines. The change has been authorized by the Monetary Board of the Philippine Central Bank. The activities of the institution will be broadened beyond its previous scope of accepting savings deposits from 160,000 depositors, and it will now engage in the financing of exports and domestic trade and distribution.

The Thirtieth Anniversary of Coca-Cola in the Philippines was celebrated by San Miguel Brewery which has held the bottling and distribution franchise for Coca-Cola in the Philippines since 1927. The firm supplies the islands today through 12 bottling plants in Manila, Cebu, Iloilo, Bacolod, Cagayan de Oro, Davao, Tacloban, Tagbilaran, Naga, Carlatan, Ilagan and San Fernando (Pampanga). Distribution is effected through 77 warehouses throughout the country and a fleet of 300 trucks.

Machinery and equipment for the P8,000,000 ramie textile mill of the National Development company, from several European firms, have arrived. The mill is part of a P10,000,000 ramie project started by the late President Magsaysay to help small ramie producers of Davao who organized themselves into a cooperative. These farmers are given the option to buy shares in the enterprise. According to the N.D.C., 2 million has been advanced by that government firm pending release of the total amount borrowed from the Rehabilitation Finance Corporation. The mill is expected to be in operation by mid-1958.

Pres. Garcia endorsed the Noramgrex "Nu-Ris" corn mill as a significant development toward a permanent solu-

tion of the country's rice-shortage problem. At a Malacanang demonstration of the revolutionary corn mill—invented by an American and sponsored by the National Rice and Corn Corporation—the Chief Executive said that the device, which can turn out corngrits that taste remarkably like rice, represents "a last defense against the extraordinary rise in rice prices." Pres. Garcia continues to wrestle with the country's rice problem. He appointed members to a Palay and Rice Board to study incentives that might be offered growers to spur greater production. At the same time, in an effort to hold prices for consumers to the current P0.85 per ganta for Macan No. 2, the President and Cabinet put a rush label on the importation of the last 20,000 tons out of a total of 100,000 tons approved for purchase outside the country this year. The growing of sorghum on a large scale is being explored by the University of the Philippines College of Agriculture. The University is experimenting with 231 varieties of sorghum received from the United States. If sorghum can be grown commercially, it could form an important supplement to the country's main staples of rice and corn. Varieties of the grain are also useful as cattle feed. It has many of the same industrial uses as corn, since it is a source of starch, dextrose, edible oils and some by-products. Sorghum is grown mostly in areas where rainfall is sufficient for corn production. In the U.S., 20,000,000 acres are planted to sorghum.

The government's Export Control Committee would like to see lower ocean freight charges for mangoes put into effect. The committee believes the fruit could become an important dollar earner for the country if shipping charges could be reduced. At present the only important export market for Philippine mangoes is Hongkong, which took close to a million pesos worth of the fruit last year—but most of it on a barter basis. The relatively short distance to Hongkong makes it possible to ship the mangoes fresh and have them arrive in good condition. No attempt has ever been made to ship the fruit in a preserved state such as in cans.

Philippine foreign trade is reaching new record levels with both exports and imports running way ahead of last year's showing. The rate of increase in exports, however, has not kept pace with the rate of expansion in imports. This has served to widen the trade deficit and impair the foreign exchange holdings of the country. During the first seven months of this year imports reached a new record at over P729 million against P577 million in the corresponding period of 1956. Exports for the same period this year, on the other hand, were valued at P562 million against P524 million for the like 1956 period. Although exports, at the rate so far this year, are also expected to establish an all-time high, the greater rate of increase in imports has dominated the overall trade trends.

General Paint Corp. Philippines, one of the oldest American-owned companies in the Philippines, commenced production in its new factory in Makati, Rizal. Darigold Milk Co. is now turning out the first canned evaporated milk to be produced in the Philippines at the firm's new plant in Paranaque. The plant has an annual capacity of 1,500,000 cases of evaporated milk but because of restrictions on its dollar allocations will operate at first at the rate of 600,000. Manila Aviation Service, Inc., has been organized with a capitalization of P1,000,000 by a Filipino-American group of investors. Americans include Wm. R.

Brucker, Raymond E. Murray, Blaine J. Gardner and Robert Runion; and Filipinos include Miguel Campos, Silvestre Punsalan, Miguel F. Trias, Daniel L. Mercado and Appolinario F. D. Blancaflor. The firm intends to use seaplanes, helicopters, common and private carriers, and all types of aircraft for passenger, merchandise and freight service. Atlas Fertilizer Corp. was registered with a capitalization of P1,000,000. The firm will engage primarily in the manufacture of acid phosphates and other chemical compounds. It also plans to go into general merchandising and act as agents and commission merchants for commodities of all kinds.

Marsman & Co. reports that the three mine firms under its management had a combined September production worth P686,900, as against P630,000 in August. Itogon-

Suyoc Mines recovered 2,661.11 ounces of gold and 1,237.66 ounces of silver worth approximately P329,900, as against total production worth P314,370 in August. Palawan Consolidated made its first entrance into the European market with a shipment of 2,200 tons of high grade metallurgical chrome worth more than P232,000. Palawan Quicksilver Mines treated 3,639 tons of ore for a recovery of 20,963 pounds of mercury with an estimated value of P135,000. Atlas Consolidated Mining and Development Corp. announced financial details of the contract under which the Newmont Mining Corp. of New York will undertake to develop copper ore deposits in the Philippines and conduct exploration and development of new ore bodies in exchange for Atlas shares. Atlas will pay Newmont not more than 2,625,000 ordinary shares of a total of 18,325,000 of par value, of one Philippine peso.

OVERSEAS CHINESE ECONOMY IN THAILAND

By M. H. Li

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For 700 years of Thailand's history overseas Chinese in Thailand have been bound up with the life and trade of the country. Whether or not the Siamese and Chinese had a common origin is a speculation, but they are surely brothers and cousins in the sense that they followed each other's footsteps "like their own shadows." Our overland trade with the Thais started as early as the 15th century. Our caravans came yearly from Yunnan and Kwangsi Provinces to the hinterland of Thailand, bringing with them copper pots, silks, rock salt, tinsel, and lace and taking back to China copper, ivory, horns and tea. The seaborne trade from Canton and Swatow came much later.

It may be observed that complete harmony between the Thais and overseas Chinese prevailed up to 1900. In 1904, the so-called Chinese question, although it was attracting notice, was not a very urgent one. In 1907, the overseas Chinese were still enjoying equality of treatment together with privileged facilities for making a good living. That year King Chulalongkorn made a public pronouncement in which he stated: "It has been my policy that the Chinese in Siam should have the same opportunity for labor and profit as are possessed by my own countrymen. I regard them not as foreigners but as one of the component parts of the Kingdom and sharing its prosperity and advancement."

The basic reason for the complete harmony between the two peoples was the fact that Chinese were assimilated with the Thais to a great extent. Before 1920, practically no Chinese woman migrated into Thailand; therefore a large percentage of Chinese male immigrants took to

themselves Thai women as wives. The majority of their marriages turned out to be very happy families. The immigrants' compliance with accepted customs, a certain conformity of character and manners, and racial similarity seemed all to account for the success of their marriages. The prestige of the Chinese civilization had for long been high in Thailand.

The overseas Chinese in Thailand are of great political, economic, and social significance to the country. It was their superiority in resources, ability, and industry as compared with the Thais that made their economic position strong all along. It was also their patience in adversity, their adaptability, their perseverance and their good humor that made them a valuable asset in Thailand. It was said that the overseas Chinese were the salt of the earth, but even today they are the mainstay of the commercial and industrial population of Thailand.

The racial consciousness or race loyalty of overseas Chinese is another factor contributing to their economic coherence and strength in Thailand. The sense of being "Chinese" is very strong among our overseas Chinese, no matter what nationality they may assume for the sake of convenience.

Despite their long history in Thailand it may be noted, however, that they had no legal protection from the home Government until 1946. China had no diplomatic and consular representative in Thailand until that year when the Siamese-Chinese Treaty of Amity was signed. But it has been reported that the overseas Chinese in southern Thailand about fifty years ago were still living in a state of semi-independence; not only were some of the Governors Chinese, but also the secret societies and the kongsis were allowed fairly complete charge of their own affairs. In fact, a number of overseas Chinese in Thailand had attained important positions in the Government.

Demography

One of the reasons why our overseas Chinese economic position in Thailand has been formidable is their large number in the country. The number is probably the largest in all countries where Chinese reside. But it is indeed difficult to state the exact total number of Chinese in

The above article is presenting the opinion of many though not all overseas Chinese in Bangkok. Many claims contained in that article are not based on facts. There is growing suspicion of the Chinese all over Thailand, and the prospect for improved relations between the Thais and the recalcitrant Chinese aliens appears unfavourable. Those Chinese who show sincerity in their endeavour to assimilate themselves—and there are quite a few in spite of the superiority-complex obsessed older Chinese generation—will eventually fare better. There is no place in Thailand for a large alien minority. Those overseas Chinese who, in the words of the author of this quite revealing article, "no matter what nationality they may assume for the sake of convenience" would not assimilate themselves, will have to face opposition by the Thais, and eventually wholesale deportation. It is no exaggeration to state that all politically conscious Thais are greatly worried by the Chinese problem and the threat posed by a large number of Chinese in their midst to the national integrity of their country, Muong Thai. Efforts have been made, and are now being made with more vigour, to solve this problem in a way which will not undermine the national future of Thailand. (Ed.)

Thailand, for according to the Thai census authorities "Chinese" in official returns means members of the race who must have registered themselves as citizens of China, while it should be defined by race. According to the Thai law of citizenship, all children born in Thailand are Thais unless registered by their parents with the legations and embassies of the mother countries. Thailand and China had no treaty relations until 1946 as mentioned above, and so there was no embassy, legation or consulate where the children of our overseas Chinese could be registered. Therefore the Chinese children born in Thailand have been included among the Thai population.

If to the immigrants are added the second and third generations and those "Lukchin" (children of Chinese father and Thai mother) who still speak the Chinese language to keep up the custom of, and maintain a loyalty to their homeland, the total number of Chinese in Thailand should be about three million. However, over two millions of them have not been registered with our Embassy in Bangkok and many of them have assumed Thai citizenship.

Although Chinese had been visiting and dwelling in Thailand for centuries, the immigration in large number appears to be a matter of only the last century. The immigrants arrived mostly by sea. The great influx occurred after the First China War which was concluded in 1842. It was estimated that about 40 per cent of the new-comers remained and about half of these married Thai women. Before the rise of nationalism in both China and Thailand, there had been no problem of assimilation.

The increased flow in the present century was attributable to the expansion of Thailand's foreign trade, to the Revolution of 1911 in China and the disordered state of China in the ensuing years. But generally speaking, economic rather than political reasons accounted for the increase of immigration into Thailand. The overseas Chinese found Thailand a place for making a better living than in the homeland.

Until 1914 the immigrants generally did not bring their wives with them; in fact most of them came to Thailand in their teenage. Therefore in 1910 a Chinese woman was a rare sight in the streets of Bangkok. But twenty years later there were hundreds of them. For some years between 1930 and 1940, the number of female immigrants was more than half of the male immigrants. The presence of the large number of female immigrants has changed somewhat the cordial relationship with the Thais, for the occasion of intermarriage with Thai women is thus reduced considerably. But even today in 1957 there is still a considerable excess of men over women among the home-born Chinese in Thailand. It is estimated that only about one ethnic Chinese in three could establish a purely Chinese home. Therefore the assimilation of the overseas Chinese with the Thai is still going on.

In 1927 the landing and process fees on Chinese immigrants were increased. In 1933 there was some restriction on Chinese laborers and women entering Thailand. The Immigration Act of 1937-8 introduced the 200 baht fee. Therefore some years thereafter the number of Chinese entering Thailand was less than the number leaving it. Since 1949 the immigration of Chinese into Thailand has been subject to a quota of 200 per annum. Every foreign country is given the same quota.

It is generally believed that over 60% of the Chinese immigrants are natives of Swatow districts, while the other 30 to 40% have come from Fukien, Hakka, Hainan, and Canton. Of the 2.5 million Chinese, about half a million live in Bangkok and its vicinity, and the remainder are scattered through the country, living in the towns rather than in rural communities and tending to concentrate in

the more commercialized districts. A notable concentration is in southern Thailand, working in the tin and tungsten mines and in the rubber plantations.

Historical Change in Overseas Chinese Economic Position

As we review historically the overseas Chinese economic position in Thailand, we cannot help thinking that their golden age was long past: their best comparative position was in the years prior to the signing of the Treaty of Friendship and Commerce between Great Britain and Siam in 1855. As was mentioned above, overseas Chinese went to Thailand in large numbers long before any European arrived. In 1767, Ayuthia, the ancient capital of Thailand, fell to the Burmese; it was Phya Tak (whose father was a Chinese) who shook off the Burmese yoke in 1772 and became the first king to unite the Siamese kingdom. At that time our overseas Chinese were most prosperous and most privileged. They were given most favorable treatment by the Government.

In as late as 1830, Thailand was still an isolated State ruled by an absolute monarchy. The monarch was not only a ruler but also a monopolist. Our overseas Chinese had ways of cooperating with the monarch and therefore held on to a great deal of economic power.

The primary interest of our overseas Chinese was commercial, not political, unlike the Europeans. So they were not feared but liked, especially in the days of intense anti-European feeling among the Thais. In 1828 the domestic commerce was still completely in the hands of the overseas Chinese.

The history of modern Thailand began with the Treaty of Friendship and Commerce concluded with Great Britain. The treaty abolished the whole system of monopolies and established free trade. The net result of this treaty was that the import business, previously the monopoly of the King or his farmers, became shared and eventually controlled by British and other European merchants. Our overseas Chinese were thrown back on their role of middlemen. The China trade, therefore, declined considerably after 1855.

Despite the European competition and free trade, the Chinese overseas did not do too badly between 1856 and 1930. That can be shown by the fact that the Chinese immigrants into Thailand had continued to increase during the period. The secret of their success in retaining their economic power was their adaptability. They were ever adaptable to the changing circumstances of living and trade.

The real setback of their economic position came only after the birth of nationalism in Thailand in 1932. There was a revolution in Thailand in June of that year. The revolutionary idea was to encourage the Thais to engage in trade and commerce and to exercise discrimination against our overseas Chinese. By the beginning of 1939 the trends of events had made the moment propitious for a series of definitive measures.

First of the series of Government Act was to forbid Chinese food hawkers to sell their wares. From 1936 onwards the Government had entered increasingly into business on its own account. Law followed law to dislodge foreign businessmen from fields of commercial enterprise. By a decree of June 10, 1942, twenty-seven trades and professions were reserved as exclusively for Thais which were as diverse as hairdressing and taxi driving.

After the Siamese-Chinese Treaty of Amity was signed on January 23, 1946, the deteriorating position of the Chinese overseas was stabilized. Between the Japanese surrender and the coup d'etat of November 1947 our

position had an upward turn, but in 1949 and 1950 the fortunes of overseas Chinese were at the lowest ebb. From 1951 to the present (July 1957), however, they have fared better.

Business Position

The overseas Chinese in Thailand are the middlemen, the exporters and financiers of Thailand, but no one seems to know the exact extent or the monetary value of their holdings. In 1938 Chinese investment in Thailand was conservatively estimated at US\$100 million as compared with other foreign investment of US\$124 million. In the Directory for Bangkok and Siam for 1938 in which the larger firms were listed, 112 were shown as European, 61 as Chinese, 38 as Siamese, 16 as Indian, and 8 as Japanese. But actually many of the business firms with Thai names were owned by Chinese. For 1940 the same authority gave the comparative figures as 103, 98, 56, 35 and 7 respectively. About 90% of all commerce and trade was in Chinese hands during the year 1940.

The overseas Chinese have been closely associated with the rice industry. Before the war of 1942-5 they owned 80-90% of the country's rice-mills, focused at the water transport in the Menam delta. In spite of all the measures levied to take the rice monopoly out of the grip of the Chinese merchants, the latter today still manage to retain control of the marketing of that essential commodity, which is the largest export of Thailand with an annual export value of over US\$150 million. Although a Thai Rice Company has been established to handle governmental exports of rice, the plan of nationalizing the industry was dropped in 1948.

Agriculture is the occupation of 80% of the people. The total population of Thailand is estimated at 20,000,000 today. The rice grower has always remained Thai. But the overseas Chinese own and operate the rice mills. Their operation is not confined to the milling of rice; more often than not the Thai farmer has to borrow from an overseas Chinese in order to live between sowing time and the harvest, and after the harvest it is the overseas Chinese dealer who buys the paddy and transports it to the mills in Bangkok. After milling it is again the Chinese who do the exporting to Singapore, Penang or Hongkong.

The agricultural activities of the overseas Chinese are confined to fruit and vegetable gardening near Bangkok and to cultivation of pepper and sugar in certain localities. In the Malay Peninsula of Thailand they own some of the rubber and tapioca plantations.

Fishing, largely coastal, is another occupation carried on by the Thais alone. But the overseas Chinese are the buyers and exporters and handle the local sales. Most of the pig breeding is done by Chinese, who sell the young pigs to the Thai farmer for feeding. After a year or so, the Thai farmer will sell them back to the Chinese. Being Buddhists the Thais do not usually do the slaughtering.

Tiles manufacture and iron-working are all done by the overseas Chinese. They are also the carpenters, the constructors and the mechanics. In rail and highway transport the Thais hold their own, but the heavy transport of rice on the rivers has long been taken over by the overseas Chinese. They make up roughly 70% of the non-agricultural labor force.

The overseas Chinese form the middle class in Thailand, but there are Chinese workmen whose life is only slightly better than the Thai peasant. Better-off Chinese are not very numerous. There is nothing particularly glamorous about the lives of the majority of the overseas Chinese.

Conclusion

In view of the simultaneous growth of nationalism during the last thirty years both in China and Thailand which have affected the Thai and Chinese cordial relationship adversely, one really cannot predict what is in store for the overseas Chinese. There is the problem of dual nationality which remains unsolved. The restrictive measures imposed on the economic activities of the overseas Chinese are likely to stay.

However, the root of our overseas Chinese in Thailand is deep, very deep: it cannot easily be unrooted. Because of their adaptability, law-abiding and their easy assimilation, it is conceivable that their present formidable economic position can be retained for sometime to come. Chinese contribution in Thailand is great and they are considered a very useful element in the economic system. If they are permitted to engage in their lawful pursuits without molestation, they will be satisfied.

Those who argue that the Chinese overseas 'drew off wealth' in Thailand ignore the fact that without them there would have been no wealth to draw off. To be wealth at all, Thai products have to be produced, collected, distributed and sold. In doing all this, the overseas Chinese have a leading role to play.

There is no reason why Thailand and China cannot get on quite well in future, provided that both the Thai and Chinese Governments will extend to both nationals rights and the same recognition on the basis of reciprocity.

THE GEOLOGY OF THE TAI MO SHAN LEAD ZINC DEPOSITS

By Louis W. Hartman, Ph.D. (Consulting Geologist and Mining Engineer)

Location: The Tai Mo Shan lead-zinc deposits are located in the New Territories approximately 6 miles North of Tai Po Market, being served by the surfaced Military Route 1 between Tai Po and Kam Tin. The area covered by Hongkong Prospecting Licence No. 1/55 is approximately 827 acres in extent, and the greater part of the actual Vein structures is situated upon the Northern foothill slopes of Tai Mo Shan peak at elevations varying from 550 feet to 1400 feet Mean Sea Level.

History: Although the presence of these lead-zinc deposits has been known since 1935, little actual consideration was made of value thereof until early 1952 at which time general prospecting in a minor fashion was undertaken. Attempts to put the mine on a production basis were thwarted over a considerable period due to general apathy based mainly upon the political position of the Colony at that time. Also, no serious attempt was made by the prospector to organize for production or development.

Geology: The general geology of the area is relatively simple, consisting for the greater part of a rather thick group of welded volcanic tuffs and other similar types in an undifferentiated series. These tuffs, in turn, are invaded by one or more irregular sheet structures of quartz porphyry, causing lateral induration near the margins. This quartz porphyry is easily distinguished from the other type on most occasions, being very hard and often containing large phenocrysts of orthoclase feldspar. The Hongkong granite outcrops at slightly more than one mile distant (along the surface) but may be much nearer, in a spherical sense to the overlying tuffs. Peripheral structural control of the granite batholith (Cupolae) may have in an indirect fashion produced the fractures now occupied by the metalliferous veins, and other features in the area. In addition to the foregoing, there are numerous non-directional barren quartz veins which cut the surrounding rocks, giving rise to a rather large amount of float in various areas. This particular quartz is distinguished by a "vuggy" character and is not difficult to distinguish from the ore bearing type which is nearly always in company with chlorite and is often alined with dark streaks, giving the illusion of lamination. A few minor lenses of sediments are occasionally seen in the tuffs, although none have been recognized in the prospect area.

Mineralogy: As previously stated, the mineralization at Tai Mo Shan consists of a considerable number of metallic sulphide bearing veins with quartz chlorite gangue, of varying width and extent. At least one of these veins (Kwai Lung) has been traced along the surface for more than a mile, and over a vertical exposure of at least six hundred feet. There are several distinct types of veins as regards mineral content proportions, and several sulphide minerals are present. Those thus far observed include: Galena, Shalerite (and Marmatite), Chalcopyrite, and Marcasite. Argentite and Chalcocite are observed in small amounts, and Bornite is suspected. Gangue minerals include Quartz, Chlorite, calcite (minor) and probably Aragonite. Oxidation products formed from surface alteration of the ore are mostly limonite, but in some cases 1 % Mn wad has been seen; as well as the presence of silver (up to 1.9 oz) detected by assay from oxidized vein matter, from which the Pb/Zn/Cu sulphides have been completely leached.

Vein Systems: The discovery of various of the veins was made in the beds of streams where the overburden had been removed by natural means. Further prospecting in the areas both adjacent to and at considerable distances from these stream exposures has uncovered the orebodies in the positions where the structure was plotted. These extensions show that thus far at least, little faulting will have to be contended with. In some cases, the metallic minerals of the veins have not been subjected to surface leaching (oxidation) and remain in their original sulphide state. In other cases, extensive surface oxidation has occurred leaving only limonite and associated oxides, etc. to remain as outcrop. Upon blasting or excavation however, fresh virtually unaltered sulphides have almost invariably been exposed only a few feet under the surface.

The reasons for such selective oxidation are difficult to ascertain without further exposure and study, but it is not in any case unreasonable to assume that those portions of the veins which contained the highest proportions of sulphide minerals would be more prone to oxidation than those zones containing less sulphides and a relatively higher proportion of quartz and other insolubles; a most important point which has been illustrated upon an oxide outcrop of Kwai Lung recently excavated. This criterion must be kept in

mind during future development programs and oxide/vein outcrops must be thoroughly investigated.

There are several vein systems worthy of note in the claim area, and it is to be noted that the more important groups have bearings within the range 60°—90° Magnetic, with Southerly dips 45—89°. Few veins that are worthy of more than passing note lie outside this range.

The larger vein systems, with their various bearings and dimensions, are as follows:

Name	Bearing (Mag)	Dip	Extent (Established)
Kwan Lung	65°	45° S	950 Ft.
Kwai Lung	88°	80° S	6000 Ft.
Chow Lung (Zinc Vein)	74°	85° S	1400 Ft.
Ng Wa Lung	85°	V	300 Ft.

Other veins which are worthy of mention, but upon which no thorough investigation has been possible in the time allotted are: Asau Lung, and Top Lung.

The following are averages of samples taken from various veins. The widths mentioned are to be considered as the width of the higher grade ore only and in some cases do not even indicate the width of further foot and hanging wall lenses. In addition, considerably more ore of lower grade is seen in the walls almost invariably, making it possible to mine the veins five feet or more wide without pulling excess waste, and causing only a modicum of dilution. Reference to the individual samples can be made in Mr. McMahon's report.

The Averages:				
Name	No. of Samp.	Aver. Width	% Lead	% Zinc
Kwang Lung	4	36 In.	14.1	11.2
Kwai Lung	3	18 In.	10.1	4.0
Asau Lung	1	42 In.	5.3	3.8
Zinc Vein	2	24 In.	2.9	9.8
Average:		30 In.	8.2%	7.25%

Insofar as the silver content is concerned, it is safe to say, by virtue of assays, that it will probably average 12-14 oz. per ton.

The nature of the veins is, obviously, lenticular, although they may be followed along strike for quite considerable distances. This structural feature of the veins, however, should in no case be considered as a deterrent factor, as short incompletely replaced lengths of low grade ore are to be expected in any deposit of this type, as well as swells up to 30 feet in width of pure mineral.

In conclusion of this section upon vein systems, it may be said that the deposits upon this property are, basically, prototypes of moderate temperature injection-replacement bodies worked profitably in many other areas of the world, and that there is no reason why the veins should not continue to be workable to a considerable depth.

Ore Reserves: There have been made several estimates as to the ore reserves available from the various veins, and as lump sum aggregates, which were made by the various engineers and geologists who have been engaged at Tai Mo Shan. It is by no means insignificant to note that only slight, and I repeat only slight variations exist in the particular's individual figure. This writer is in no wise inclined to disagree with these figures as such, but would like to arrive at his own estimate by time honoured means.

The Kwai Lung/Kwan Lung central area, upon which prospecting has already been accomplished, will first be considered from the point of view of immediate probable reserve (considered to depth of 600 feet only):

Name	Feet			(Assays)		(Ore) (Concentrate)		
	Width	Length	Depth	Lead %	Zinc %	Tons	Tons/Pb	Tons/Zn
Kwai Lung	3	500	600	10	4	85,000	5,000	2,000
Kwan Lung	3	400	600	14	11	53,000	6,000	5,500
Totals.						118,000	11,000	7,500

(* Total Considered: not total probable)

(**Reduced for allowable losses in cobbing & milling)

It is to be remembered that there is every indication that the orebodies may extend to much greater depths, and that the ore reserves indicated above are solely concerned with that portion of the ore in the outcrop area: actually visible above surface from low point of exposure. It is therefore obvious that for each further 600 feet of depth over the same surface distance, a like increment of the same amount of ore may be expected.

Furthermore, when it is considered that Kwai Lung alone has been traced for 6000 feet along the surface. A further increment of 1,180,000 tons may be added. The development of this vein should remain of prime importance in any program to be undertaken.

The following are short notes upon the reserve of the other important groups:

Exposed portions of Asau Lung, assaying approximately 4% Zn, and 5% Pb should yield at least 50,000 tons in the upper level.

Chow Lung, consisting of several wide mineralized zones, along with the zinc vein should yield a very large tonnage. This vein is recommended as the first location for the compressor upon the property.

Considerable additional tonnages will probably be seen at Ng Wa Lung, and perhaps Top Lung.

The eastern extension of Kwai Lung, which shows silver bearing iron oxide and widespread leaching should also prove profitable upon exposure by blasting.

The above is a conservative estimate, but it can be seen that there should be little doubt as to the presence of at least some 1,500,000 tons of ore in the upper area and a very good possibility of another large reserve in the area at lower elevations (Chow Lung, Zinc Vein etc.). The average grade of this material should not prove less than 7% Pb and approximately the same Zn when balanced out.

For such a property to remain in its present virgin state in any other area, such as western USA, Africa, Mexico etc. which might be considered mining conscious, would be inconceivable.

Natural Features: The location of the property bordering upon a main highway and only some six miles from rail has already been stated. Following are listed various other features worthy of note.

Water Supply: The stream, Lam Chuen, originates near the summit of Tai Mo Shan peak with tributaries from nearby valleys, and flows the entire length of the property. It is a permanent stream which even in the dry season flow at the rate of approximately 1000 GPM increasing to as much as 30,000 GPM in the wet season. There is, admittedly, some seepage in the mineworkings but not to any extent that can not be handled by small pumps. There will be no water problem as regards either personnel or treatment.

Power Supply: As the electricity main passes adjacent to the boundary of the property, there is no particular need for discussion.

Timber Requirements: The nature of the veins is such that the wall rocks are indurated and chloritized, and stand

amazingly well after several years. This will be of great assistance during development operations, as only a minimum of timber will be required for mine supports.

Topography: The nature of the topography on this property will render some road building expensive and difficult. However there is no immediate necessity for this item, and a great number of the world's worthwhile mines have been found and exploited in situations which would make Tai Mo Shan Peak appear as the utmost of simplicity. It is to be kept in mind also that the slopes will be most helpful in the gravity handling of ore (Chutes, Ropeways) and in mill layout. Furthermore, the lower veins which are first on the development list, are located at only 400 feet elevation, and road construction expense thereto will not be great. In addition, the steep slopes lend themselves to adit development and extraction means and obviate the necessity for much more costly sinking which would be necessary in flatter areas.

Recommendations: Much time has already been consumed in the preliminary prospecting operations upon Tai Mo Shan, and it is recommended that immediate steps should be taken. The following steps are indicated: (1) It has previously been requested that WARSOP drills (Petrol driven self contained Jackhammer) should be acquired. If they are not available in the Colony, efforts should be made to purchase them overseas and transport to the property by the fastest means as they are light, mobile, efficient and will mean great savings in time and capital. As an alternative it is suggested that the Company avail themselves of a light (105CFM) portable compressor, Jackhammer, airleg, steels, piping and receivers, to be first placed at Chow Lung Zinc Vein area. It appears that the method of procedure most likely to consume the least amount of time would be to follow up exposures from the adit outcrop toward the Zinc Vein proper. This should be done by pitting at intervals of perhaps 100 feet along strike to a depth of perhaps ten feet, or trenching at right angles in the absence of vein outcrops. (2) To find Northwesterly and South-easterly extensions of the Zinc vein by the methods outlined above. One such extension is seen on the west bank of Lam Chuen where a long trench was opened in the early stages of prospecting. (3) To continue prospecting wherever and however possible in the Kwai Lung-Kwan Lung Area, and to continue mining rich ore, no matter how crudely. Such ore should be transported and stored in a safe place. Even if this operation is on a small scale it should yield a steady stream of rich ore. (4) The necessity for hiring a mining engineer to supervise operations will be required by the Mines Department regulations. (5) Prospecting upon Asau Lung and Ng Wa Lung is to be carried on time and personnel available permitting, as it is entirely possible that one or both of these veins may prove to be of caliber equal to the most promising. (6) The kaolinite area must be kept in mind and every effort must be made to find a market for it, as there is a very, very large tonnage of this material to be had at grass roots, and which can be very cheaply extracted by open cast method.

Conclusions: There are at least seven payable veins upon the Tai Mo Shan property. Prospecting has shown that the mine should be developed with an eye to initial pilot plant production of 50-100 tons per day, and that ore should assay at least 8% lead and 7% zinc. Development of the various orebodies will decide the location of the pilot plant, permanent camp site and road works, all of which will be situated near the most productive vein. Prospecting has shown definite indications of the presence of orebodies totalling over 1,000,000 tons, of which a considerable amount can be mined by adit methods. A certain amount of ore can be produced during the development stage, and cobbled and sold, if desired, without milling. This area and the veins therein compare favourably with other areas and structures in other countries which are being worked profitably on considerable scale.

HONGKONG'S PRINCIPAL EXPORTS IN 1956

PART III

Item, Unit and Country to which Exported	Total for 1956 to date		Item, Unit and Country to which Exported	Total for 1956 to date	
	Quantity	Value HK\$		Quantity	Value HK\$
Raw silk (not thrown) in hanks or in skeins Lb.	556,831	9,956,488	India	1,492	7,165
United Kingdom	272	4,203	New Zealand	44,680	15,740
Malaya	1,066	18,300	Pakistan	1,060	6,130
North Borneo	400	13,500	U.S.A.	22,391	264,382
Pakistan	538	18,280	Japan	1,540	8,550
Egypt	28,452	425,198	Macao	16,976	122,139
African Countries, other	1,901	32,800	Thailand	2,022	8,756
Burma	46,035	668,976	Belgium	38,059	191,778
Cambodia, Laos & Vietnam	81,024	1,557,630	Denmark	225,127	974,919
Indonesia	117,246	2,287,130	France	6,174	32,518
Japan	12,443	227,575	Germany (Western)	2,303,059	8,478,048
Macao	669	9,333	Italy	48,535	226,814
Philippines	2,380	71,742	Netherlands	151,558	690,817
Thailand	23	232	Norway	534,186	2,141,393
Middle and Near East Coun- tries	20,463	335,093	Downs Lb.	314,051	3,274,645
Central Asian Countries	8	200	United Kingdom	23,846	234,535
France	112,568	2,104,222	Australia	31,221	348,813
Italy	127,342	2,116,373	Canada	52,683	579,567
Switzerland	4,001	65,701	New Zealand	2,427	26,670
Scrap iron and steel (not includ- ing tinplate scrap) Cwt.	1,937,940	39,393,037	U.S.A.	1,620	19,538
United Kingdom	42,318	251,597	Belgium	17,668	178,189
Japan	1,895,228	39,120,398	France	16,748	164,422
Macao	114	2,622	Germany (Western)	90,009	894,110
Denmark	100	7,500	Italy	7,121	74,600
Netherlands	180	10,920	Netherlands	3,238	36,104
Brass scrap and bronze scrap Cwt.	75,310	13,372,860	Norway	61,860	662,563
United Kingdom	200	43,283	Sweden	1,800	18,360
U.S.A.	300	60,000	Switzerland	1,123	11,581
Japan	71,300	12,515,657	European Countries, other	2,687	25,593
Germany (Western)	696	140,820	Gallnuts Cwt.	17,249	1,510,492
Netherlands	2,814	613,100	United Kingdom	500	40,900
Copper scrap Cwt.	28,688	7,595,742	Japan	15,009	1,289,266
Japan	26,918	7,129,542	Belgium	200	17,600
Germany (Western)	1,690	436,200	France	1,440	144,666
Netherlands	80	30,000	Germany (Western)	100	18,060
Ivory Lb.	79,929	1,176,396	Pine resin Cwt.	503,427	27,072,488
Malaya	2,981	36,741	United Kingdom	112,825	6,139,845
U.S.A.	330	5,928	Australia	98	4,300
China	72,171	1,072,590	Ceylon	117	6,140
Japan	2,000	31,271	Malaya	4,570	238,462
Korea, South	233	2,566	North Borneo	389	14,475
Macao	1,338	19,800	South Africa	2,794	147,993
Thailand	876	7,500	Central Africa (British)	196	7,426
Bristles Lb.	301,339	4,015,835	British Comm., other	295	16,760
United Kingdom	61,748	905,641	Egypt	4,015	213,109
Australia	68,530	1,373,307	African Countries, other	19	1,152
Canada	2,000	10,420	Burma	39	2,320
New Zealand	1,100	35,805	Formosa	5,101	224,226
Pakistan	5,393	87,670	Cambodia, Laos & Vietnam	178	9,677
South Africa	220	2,200	Indonesia	50,130	2,592,889
Japan	93,718	1,100,703	Japan	179,562	10,303,759
Thailand	3,109	33,453	Korea, South	1,552	107,100
France	35,688	283,282	Macao	31	1,287
Germany (Western)	29,167	173,374	Philippines	100	4,000
Netherlands	666	9,980	Thailand	9,516	549,725
Feathers (except ornamental feathers and downs) Lb.	3,753,005	14,805,682	Middle and Near East Coun- tries	748	40,330
United Kingdom	263,114	1,117,376	Belgium	2,850	162,968
Australia	62,380	331,587	Finland	16,547	679,190
Canada	30,652	187,570	Germany (Western)	12,882	569,313
			Italy	6,093	309,884
			Netherlands	74,845	3,682,092
			Norway	17,735	1,033,650
			Sweden	200	10,416

(To be Continued)

FINANCE & COMMERCE

HK EXCHANGE MARKETS

Nov.	U.S.\$			
	T.T. High	T.T. Low	Notes High	Notes Low
11	H o l i d a y			
12	\$586½	585	584½	582½
13	585¾	584½	584¼	582¾
14	585½	584½	584¼	582¾
15	588½	585½	587½	583½
16	592½	590	591½	588½

D.D. rates: High 590½ Low 582¾

Trading totals: T.T. US\$5,090,000; Notes cash \$475,000, forward \$2,900,000; D.D. \$360,000. The market turned bullish on the drop of cross rates in New York. In the T.T. sector, buyers were eager; trading volume was heavy. In the notes market, speculative demand was keen but trading handicapped by the heavy change over interest, which was in favour of sellers and aggregated HK\$6.50 per US\$1,000. Speculative positions averaged US\$2½ million per day. In the D.D. sector, market was quiet.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.79—1.775, Japan 0.0138—0.0137, Malaya 1.873, South Vietnam 0.06869—0.06802, Laos 0.072—0.067, Cambodia 0.075, Thailand 0.2777—0.2754, India 1.09. Sales: Pesos 280,000, Yen 10 million, Malayan \$260,000, Piastre 6 million, Kip 4 million, Rial 4 million, Baht 3 million, and Indian Rupees 200,000. **Chinese Exchange:** People's Yuan notes quoted \$1.54—1.31 per Yuan. Taiwan Dollar notes quoted \$0.165—0.163 per Dollar, and remittances 0.147—0.145.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.54—15.42, Scotland 14.00, Ireland 13.80, Australia 12.68—12.48, New Zealand 14.10, Egypt 9.50, East Africa 14.50, South Africa 15.40, West Africa 13.50, Jamaica 13.50, Gibraltar 13.50, Malta 12.50, Cyprus 12.50, Fiji 10.40, India 1.1745—1.173, Pakistan 0.78, Ceylon 0.96, Burma 0.52, Malaya 1.839—1.826, Canada 6.105—6.0275, Cuba 5.00, Argentina 0.125, Brazil 0.065, Philippines 1.835—1.805, Switzerland 1.35—1.34, West Germany 1.35, Italy 0.009, Belgium 0.11, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.46, France 0.01235—0.0116, South Vietnam 0.072, Laos 0.074—0.064, Cambodia 0.076—0.075, North Borneo 1.60, Indonesia 0.141—0.139, Thailand 0.283—0.277, Macau 1.00—0.995, Japan 0.01425—0.0138.

Gold Market

Nov.	High .945	Low .945	Macau .99
11	H o l i d a y		
12	\$256½	255½	
13	256¾	255¾	Low 265½
14	256½	255½	
15	258½	256¼	
16	260¼	259¾	269½ High

Opening and closing prices were 255½ and 259; highest and lowest, 260¼ and 255½. The market was active and prices firmer. Interest for change over favoured sellers and aggregated \$3.80 per 10 tael of .945 fine. Tradings averaged 6,300 taels per day and totalled 31,500 taels for the week, in which 11,260 taels were actual cash transactions (1,660 taels listed and 9,600 taels arranged).

Speculative positions averaged 15,600 taels per day. Imports from Macau amounted to 9,500 taels. Exports totalled 11,000 taels (6,000 taels to Singapore, 3,000 taels to Indonesia, and 1,500 taels to Rangoon). Differences paid for local and Macau .99 fine were \$12.60—12.50 and 11.70 respectively per tael of .945 fine. Cross rates were US\$37.86—37.84 per fine ounce; 24,000 fine ounces were contracted at 37.85 cif Macau. US double eagle old and new coins quoted \$265—263 and 229—226 respectively per coin, English Sovereigns \$62 per coin, and Mexican gold coins \$280—278 per coin. **Silver Market:** 500 taels of bar silver traded at \$5.90 per tael and 500 dollar coins at \$3.73 per coin. Twenty-cent silver coins quoted \$2.88 per five coins.

HK SHARE MARKET

With money tight in the local market and sentiment bearish on account of the depression of the New York market, HK stock exchange was quiet last week. With the exceptions of HK Bank and Union Ins. prices for most shares declined further during the week. Selling pressure was not serious and many counters recovered slightly towards week-end; closing rates however were still lower than those for the previous week.

Cement dipped from \$23.30 s to \$22.10 after levelling off during the previous week; but there were only a

few sellers at this level and the share closed at \$22.40 b without further selling response. Wheelocks, Lands, Hotels, Utilities (with the exceptions of Star Ferries and Yaumatis), Stores and Rubbers remained active throughout the week but there were more sellers than buyers. Shares of go-down, dock and investment companies as well as those of cotton mills were quiet. Turnovers were: Monday, holiday; Tuesday, \$493,000; Wednesday, \$376,000; Thursday, \$292,000; Friday, \$449,000.

Rubber Output—Amalgamated Rubber Estates produced 732,049 pounds of rubber during October 1957.

Share	Nov. 8	Last Week's Rate		Closing	Up & Down	Dividend	Yield (%)
		Highest	Lowest				
HK Bank	830	850	822.50	850	+\$20	\$50	5.88
Union Ins.	75	76.50	75.50	76.50	+\$1.50	\$3.40	4.44
Lombard	33	32.76 n	32.75 n	32.75 n	steady	72c	6.11
Wheelock	6.75	6.70	6.55	6.55	—20c	75c	11.45
HK Wharf	118 n	119 s	118 s	118 s	quiet	\$6	5.08
HK Dock	51.50 s	52 s	51 s	51 s	—50c	\$2	3.92
Provident	11.70 s	11.80 s	11.60 s	11.60 s	—10c	\$1	8.62
HK Land	33.50 s	33.50	33.25	33.50	steady	\$3.50	10.45
Realty	1.325 b	1.375 n	1.30 b	1.30 b	—2½c	15c	11.54
Hotel	14.40 s	14.40	14	14.20	—20c	\$1	7.04
Trams	22.50 b	22.60	22.20	22.30	—20c	\$1.70	7.62
Star Ferry	128 s	127 n	127 s	127 s	—\$1	\$9	7.03
Yaumatis	94.50 n	94.50 s	93 s	93 s	—\$1.50	\$7.50	8.03
Light	18.20	18.10	17.70	17.90	—30c	\$1.10	6.15
Electric	26.80	26.80	26.20	26.20	—60c	\$1.80	6.87
Telephone	25.60	25.70	25	25.30	—30c	\$1.50	5.93
Cement	23.10	23.30 s	22.10	22.40 b	—70c	\$4	17.86
Dairy Farm	16	15.90	15.80	15.80	—20c	\$1.63	10.32
Watson	12.70	12.70	12.10	12.10	—60c	\$1	8.26
Yongtze	5.25 b	5.30 n	5.30 n	5.30 n	quiet	65c	12.26
Allied Inv.	3.80	3.80	3.75 b	3.75 b	steady	35c	6.67
HK & FE Inv.	9.90 n	9.90 n	9.90 n	9.90 n	quiet	80c	8.08
Amal. Rubber	1.35	1.325	1.25	1.25	—10c	38c	22.40
Textile	4.45	4.45	4.40	4.45	steady	50c	11.34
Nanyang	9.55 s	9.55 s	9.45 n	9.50 s	—5c	\$1	10.53

SINGAPORE SHARES

On Tuesday (during the week ended Nov. 8th) Malayan markets which had been tumbling for the past few weeks, and which suffered their severest falls on Monday and Tuesday started an upward trend. Buying orders snowballed and sellers withdrew. The considerable rise which followed was not sustained, and for the rest of the week prices fluctuated. Mostly due to the rubber price which lost approximately five cents in seven days, markets closed easy. Industrials and tin contributed the bulk of the slightly increased volume of business.

Fraser & Neaves had business at \$2.40 and \$2.57½, Gammons at \$2.07½ and \$2.22½ and Singapore Cold Storage at 80 cents and 95 cents cum the 5% final. At the close Industrials were generally at lower prices than those prevailing at the previous week's close.

Shares of Industrial, United Metal Works Ltd., a Company recently incorporated and already in operation in Singapore were listed; the \$1.00 shares changed hands at \$1.01½. The metal price and tin shares fell largely due to fears of tin surplus greater than originally estimated. It is thought that the surplus for 1957 may be greater than 12,500 tons. Petaling fluctuated widely between \$2.77½ and \$2.35 closing \$2.50 buyers. Rantau had a large turnover down to \$1.75 and back to \$1.87½. Local registered Sterling tins also had wide movements, but London registered merely subsided in a leisurely manner.

Turnover in the rubber section was small, as, with few exceptions, there was no heavy selling pressure. Kempas fell to \$1.47½ and Sungei Bagan to \$1.47½, both ex dividend. There was little interest in London registered rubbers.

Business in Loans was negligible.

TRADE REPORTS

In the local commodity market last fortnight, paper and metal retained steady demand from Korea, Thailand, Indonesia, Cambodia, Taiwan and Burma but the volume of business was still handicapped by low buying offers. Taiwan, Korea and Thailand also interested in selective items of pharmaceuticals and industrial chemicals but there were more enquiries than orders from these sources. Cotton textiles were slow in spot transactions; HK yarn and cloth however were firm on forward dealings. Cement retained strong local demand but exports slowed down. Trading in sugar, wheat flour and rice was also slow. Demand from Canada, Europe, UK, Japan and Australia for produce was active but supply from China still inadequate; many transactions covered staples of SE Asian origin.

Exports of HK metalware, knitwear, garments, plastics products to SE Asia at present are lower compared with this time last year but still constitute a very large percentage of total export of HK manufactured goods. UK remains the number one buyer for HK products with purchases averaging about \$15 million per month. Exports of HK manufactures to US better this year than last and at present average about \$3.5 m per month. Demand from Europe, particularly from West Germany, for various HK items also improved this year.

HK/China Trade—Orders for moderate quantities of metals and other essential supplies continued to reach here from the Mainland but interest was centred on a few items only; buying offers in most cases were too low to interest local dealers. Imports from China remained very heavy; in addition to large quantities of foodstuffs, there were also beans, woodoil, fruits, drawn lace work, carpets, blankets, bamboo cane and woollen piecegoods. Last week, Canton offered to ship sugar to the local market in spite of the shortage of this item in China; 6 local distributors will be appointed. Import of coal from China irregular; most consignments were booked by the HK and China Gas Co. which last week ordered 35,000 tons more for deliveries in 1958. During the fortnight, HK dealers in Canton managed to get limited supplies of newsprint, m.g. cap, spun silk, walnut meat, bitter almond and woodoil from the Exports Fair there.

According to a November 15th Canton report, authorities there claimed that transactions exceeding £16 million had been concluded at the Fair since its opening a month ago. This is more than double the total amount of business done during the first Exports Fair held last April. Merchandise covered by the £16 m contracts includes machinery, chemicals, pharmaceuticals, scientific instruments, dairy products, radios, film projectors and gold fish! Canton also reported that Jordan had ordered whole sets of Chinese knitting machines in addition to the previous purchases of Chinese trucks. Shanghai truck tires will also be shipped to the Middle East.

HK/Japan Trade—Demand from Japan for produce activated but the volume of purchase was restricted by supply shortage. There were also orders from Japan for scraps but limited to a few hundred tons only; buying offers also low. Imports remained active; about 20 vessels brought here 5,000 tons of merchandise during the fortnight. To meet the demand from SE Asia, dealers here booked more cotton textiles, sea food, rayon yarn, woollen yarn, woollen piecegoods from Japan but quantities involved small because demand from Indonesia, Thailand and Malaya uncertain.

HK/Europe & HK/UK Trade—About 9,000 tons of metals, woollen piecegoods, machinery and equipment,

automobiles, pharmaceuticals, chemicals, cosmetics and provisions arrived from UK. Imports from Europe totalled about 9,000 tons; principal items were metals, paper, textiles, automobiles, glassware, beer, wines, canned food and provisions. Imports of watches from Switzerland (mostly by air freight) remained heavy. According to a Swiss watch manufacturer who came here to launch a new self-winding watch, HK is the world's second largest buyer of Swiss watches. Switzerland has 547 watch makers producing 8,000 different brands and the annual production capacity is about 40 million pieces. People in Switzerland are not surprised that US is the largest buyer but they are amazed to find that HK is their second best customer.

Exports to Europe and UK amounted to about 2,000 tons and 9,000 tons respectively; HK manufactures, particularly cotton textiles, constituted the major portion of the tonnage. More orders reached here from UK for cotton goods, gloves, shirts, children's garments, towel, napery and rubber shoes during the fortnight. Demand from Europe however restricted to small lots of produce such as rosins, tea, raw silk, seagrass, groundnut and bamboo cane; and some HK manufactures including cotton cloth, enamelware, rubber shoes, torch, plastics products and gloves.

HK/US Trade—Graphite, rattan and carved wood furniture, shirts, plastics products, torch, cotton cloth, gloves, firecrackers and frozen prawns amounting to about 6,000 tons were shipped to US; demand from America for HK cloth improved. Exporters however reported that they suffered slightly from the recent decline of US dollars in the local exchange market because cif US prices remained unchanged. Lower rates for US dollars on the other hand enabled importers to book more supplies from America and in the case of canned food and other provisions kept retail prices at the previous level although indents had increased.

Trade between HK and US will continue active because American machinery and equipment as well as consumer goods remain popular in the local market while HK manufactures such as cloth, shirt, silk products, drawn lace work, gloves are becoming more and more popular with American buyers who used to order these items from Japan. Junks and sampans built here may now be exported to US if covered by comprehensive certificates of origin.

HK/Thailand Trade—Over 3,000 tons of rice and several shipments of timber, hide, live cattle, salt and other produce reached here from Bangkok. Exports exceeding 4,000 tons consisted chiefly of cotton textiles, cosmetics, paper, metals, blankets, sundry provisions, leather shoes, torch, enamelware, paint, silk goods, aluminumware and

vacuum flasks. Bangkok's purchases from here remained active throughout the fortnight; interest was centred on metals, paper, blankets, winter underwear and nylon products. Towards end of last week however tight money in Bangkok curtailed the volume of these procurements.

HK/Indonesia Trade—Djakarta announced that beginning 1958 every effort will be directed towards the balance of trade and in order to effectively control foreign exchange earnings, 27 export offices have been established in various territories for the issuance of export licences.

Exports to Djakarta and other Indonesian ports totalled about 2,500 tons, much lower than this time last year. Orders reached here from Djakarta during the fortnight covered only small quantities of paper, yarn and cloth, and sundries; importers there curtailed purchases from here because commodity prices in Indonesia were below HK indents.

HK/Malaya Trade—Demand from Singapore and other Malayan ports covered rosin, beans, dried chilli, wheat flour, foodstuffs and HK manufactured metalware and other consumer goods. With the approach of the Christmas and the holiday season, demand for foodstuffs, gift items and decorating goods will remain steady during the next few weeks. Purchases from here this year however are lower than in 1956 because Singapore and Kuala Lumpur are developing more direct trade with Japan, West Germany, China and US.

HK/Philippines Trade—Demand from Manila covered only small lots of blankets, towel, socks, sesame, beans and sundry provisions. Exports of HK manufactures to the Philippines remained stagnant. Manila has imposed a ban on imports of cotton yarn lower than 40 cents.

HK/Korea Trade—Demand from Korea for paper remained strong but short stock here restricted the volume of exports; one forward lot of US newsprint in reels was concluded between Korean buyer and HK dealer for direct shipment from US to Korea. There were also orders from Seoul for a few items of metals, pharmaceuticals, and chemicals from the local market but the order for cement was concluded for West German products to be shipped direct from Europe to Korea.

HK/Taiwan Trade—Both imports from and exports to Taiwan improved but the rise was small. Imports consisted chiefly of tea, ginger, sugar, straw board, live hogs, starch, herb medicines, citronella oil and camphor products. Demand from Taipei last fortnight covered selective items of metals, paper, pharmaceuticals and chemicals; low buying offers handicapped transactions.

HK/Cambodia Trade—Consignments of Cambodian sesame, rice, green pea, live hogs, rosin, maize, salt, starch, hide

and cattle reached here steadily throughout the fortnight. Exports however were slow; Phnompenh's purchases from here during the period limited to small quantities of Chinese foodstuffs, paper, sewing machines and mountain pens; Korean dried fish; and HK manufactured vacuum flasks, enamelware, plastics products and knitwear.

HK/Laos Trade—Vientiane returned to the local market for HK manufactured round bars and other structural steels, winter underwear, vacuum flasks, cotton cloth, torch, canned food and plastics products; orders however were limited to small amounts.

HK/Vietnam Trade—Saigon relaxed control on imports of photo supplies, cosmetics, paper and other daily necessities; importers there do not have to apply for foreign exchange in advance if consignments are below the value of about HK\$700. During the fortnight, Haiphong shipped here moderate quantities of taro chips, medicinal herbs, sundry provisions, hog casing, feather, eggs and poultry; in return absorbed some paper, knitwear and winter underwear from the local market. Prospects of improving trade with Saigon and Haiphong are not bright because Saigon is producing the bulk of its imports from US, France, Japan and other countries direct while Haiphong's purchases from here are restricted by the lack of sufficient foreign exchange there.

HK/Burma Trade—Blankets, knitwear, towel, enamelware, cosmetics, paper, rosin, chinaware and canned food made up the bulk of 1,500 tons of cargo from here to Rangoon. Orders reached here during the fortnight covered chiefly produce, metals, wheat flour and foodstuffs. Several local mills submitted tenders to Rangoon for the supply of cotton yarn. Dealers here reported that buying offers from Rangoon are now very low because Japan and China are underselling HK in that market.

HK/Ceylon Trade—About 1,500 tons of China produce and HK manufactures, consisting chiefly of garlic, dried chilli, foodstuffs, cotton textiles, plastics products and enamelware, were shipped to Colombo. During the fortnight Colombo continued to absorb some green pea and dried chilli from here but interest was not keen.

HK/Australia Trade—Demand from Australia did not improve as local dealers had expected following the recent relaxation of import control there. This was probably due to Australia's increased purchases from Japan. Consequently, exports during the fortnight amounted to only about 1,500 tons consisting chiefly of cotton textiles, vacuum flasks, plastics products, rattan ware, woodoil and other produce. Orders reached here for firecrackers, toys, gloves and other HK manufactures covered only insignificant quantities.

Imports from Australia remained steady and principal items included

wheat flour, cow hide, dairy products and frozen meat.

HK/Africa Trade—Exports to East, South and West Africa totalled 1,500 tons, 1,000 tons and 800 tons respectively; HK manufactures constituted the major portion of the tonnage. Imports came chiefly from East Africa (700 tons) and South Africa (660 tons). Dealers reported that demand from South Africa this year is much better than in 1956 and HK products constitute about 70% of all consignments to that destination.

HK/Canada Trade—More wheat flour reached here from Canada during the fortnight. There were also consignments of toilet paper and office appliances but quantities insignificant. From here Canada bought a few items of China produce and some frozen prawns. Orders for rubber footwear advanced recently and exports this year might be better than last year in quantity but total value would probably remain on last year's level because cif Canada prices are now about 7% lower than in 1956.

HK/India & HK/Pakistan Trade—Trade with these two countries remained on a low level. Indian cotton textiles unpopular while Pakistan yarn advanced too much to be attractive in the local market. Exports to these two markets also slow because Karachi and New Delhi prefer to import US, European and other goods direct from manufacturing countries while imports of HK manufactures are limited to items which their domestic industries could not make or do not produce in sufficient quantities.

HK/North Borneo Trade—Imports of firewood, scrap iron, timber, rubber, rattan and sea shells from North Borneo remained steady throughout the period. Exports amounted to about 1,000 tons; principal items were dressed stone, ground granite, cement, structural steels, wheat flour and firebricks.

HK/Middle East Trade—Three vessels left here for Middle East ports with about 1,000 tons of consignments from local dealers; principal exports included dried chilli, tea, foodstuffs, enamelware, cotton textiles, plastics products, leather shoes, rubber footwear, torch and torch batteries. Demand from these territories for HK manufactures and foodstuffs improved recently but the rise was insignificant.

China Produce—The market was active because dealers here managed to get limited quantities of beans, oils and other staples from Canton for Japan, Europe and UK. To meet the improved demand from Japan, dealers also imported sesame, maize, groundnut kernel, groundnut oil and beans from Cambodia, Vietnam, Thailand, Indonesia and Africa. Woodoil, cassia, menthol crystal and feather were very much in demand and in the case of cassia and menthol crystal

short supply stimulated prices to new highs. Sesame also advanced because in addition to Japan, Manila and local mills provided steady demand during the period. Groundnut oil however declined from recent hikes because heavy supply and new arrival damped the market. Bean oil first dipped in sympathy with groundnut oil but firmer Japanese indents kept prices steady towards last week-end. Dried chilli retained demand from Ceylon and Singapore but indications are that these two sources might curtail purchases from here on account of the fact that China recently sold 2,000 tons of this item to Ceylon while India is offering to ship 1,000 tons of Chinese chilli to Singapore at a very competitive price.

Metals—The market was active throughout the period but turnover restricted by low buying offers from China, Thailand, Taiwan, Burma, Laos and Korea. Stock of most popular items dwindled but dealers hesitated to book new supplies. It was rumoured early in the fortnight that fob Europe prices for many items would be marked down and that Japan would also cut prices. Later it was confirmed that only cif quotations were lower on account of the fact that freight for metals from Europe to HK had dropped further from 155s to 140s per ton (down from 180s to 155s last month). Prices here remained steady because the local market had not fully recovered from the decline early this year; current prices for many items are still below new cif quotations. Popular items during the fortnight included structural steels, galvanized iron pipe, black pipe, steel wire rope, galvanized iron wire, steel plate, black and tin plates and waste waste, zinc sheet, brass sheet, galvanized iron sheet and scrap iron. Galvanized iron pipe was slightly marked up on account of advanced European and UK indents. Scrap iron recovered slightly on renewed demand from Japan and orders from UK; buying offers from Japan remained low and orders limited to a few hundred tons.

Paper—Demand from Korea remained keen on European and US products while SE Asia preferred Chinese and Japanese brands. Newsprint in reels retained strong demand from Korea but short stock forced Seoul to book forwards from US; shipments will be made direct to Pusan. Cambodia, North Vietnam and Thailand also favoured newsprint but interest centred chiefly on Chinese brands. Woodfree also short, Korea was considering to buy about US\$800,000 worth of this item direct from Austria. Inadequate stock of sulphite, manifold, straw and duplex boards further restricted sales to Thailand, South Vietnam, Taiwan, North Vietnam and Korea. Dealers made only limited replenishments because market prices for most items remained below new indents in spite of the fact that quotations from Japan and Europe had already marked down.

Pharmaceuticals—Stock shortage again handicapped exports to Thailand and Korea. Demand from these two sources covered penicillin preparations, sulphonamides, aspirin, phenacetin, saccharine crystal, silver nitrate, ethyl chloride, barbitone and vitamin powders. China was interested in saccharine crystal and amidopyrin but buying offers were very low. To improve the supply situation, several local agents of American pharmaceutical producers are urging their principals to utilize HK as storage centre for their markets in the Far East. One of the American firms has already decided to set up a supply centre here and plans to store sufficient quantities of antibiotics, vitamin pills and streptomycin in HK.

Industrial Chemicals—There were more enquiries than orders from Korea and Taiwan; most transactions fell through either on account of low buying offer or because of the lack of adequate supply here. Prices fluctuated within narrow limits: sodium hydrosulphite, formalin, acetic acid and gum arabic registered weak prices because supply exceeded demand; mercury, calcium hypochlorite and monopone dropped in sympathy with lower indents; while snelliac and glycerine firmed on advanced indents and low stock. Other popular items were sodium nitrate, lanolin, petrolatum, calcium carbonate, ammonium chloride, chlorate of potash, bronze powder and tanning extract.

Cotton Yarn—The spot market was quiet but HK yarn remained firm on forward sales to UK, Indonesia and other buyers. Several local mills also sent tenders to Rangoon for the supply of 30,000 bales of cotton yarn. Pakistan products were kept steady by high indents but failed to attract buyers. Japanese fine yarn declined under marked-down indents but the dip was not serious because supply not abundant. Indian brands were offered to local weavers on credit-payment terms but the demand remained far below the supply; towards last week-end prices here were further depressed by indent drops. Korean yarn retained steady demand from local weavers during the period; purchases by these mills are slowing down and indications are that if imports continue heavy, prices might be depressed.

Cotton Piecegoods—Orders from UK, Laos, Indonesia, South Africa and US remained heavy but demand from UK slowed down recently. Many mills here, particularly small weavers, report that compared with this time last year the number of orders from UK on their hands at present is smaller. In spot sales, Chinese and Japanese grey first dipped due to the lack of demand but later turned steady on orders from local factories and Indonesia. Japanese white shirting retained steady demand from local shirt makers.

Rice—The market was steady during the first week on better local sales and firmer Bangkok quotations. During the second week, marked-down Bangkok offers depressed prices here particularly in the case of lower grade rice; however, closing quotations towards last week-end recovered on firmer indents. High grade Thai rice was steady throughout the fortnight. Chinese rice also steady because supply limited. Imports from Cambodia and Burma were not heavy, prices therefore steady.

Wheat Flour—Local products made from Australian wheat were marked up in line with increased cost of Australian flour which also advanced in the local market. Those manufactured from Canadian wheat dipped slightly in sympathy with Canadian brands which were depressed by marked-down indents. US flour also declined under lower replenishment cost. Towards end of last week, HK brands were stimulated by demand from Malaya, North Borneo and Burma.

Sugar—Export slow; Singapore turned to Indonesia for direct supply instead of importing from here. Prices further declined in the local market under heavy supply and weaker Taiwan quotations. China also offered to supply granulated sugar to the local market although its production is far from sufficient to meet domestic demand. Hongkong products were further marked down. Japanese granulated firmer because stock not heavy while cost was higher than market price here. Philippine brown steady throughout the period because stock dwindled. Indonesian brown retained steady local demand; price firmer on increased cost.

Cement—North Borneo provided steady demand for HK brands. Local consumption remained heavy keeping prices of Japanese and Chinese products steady. In spite of the fact that prices for HK brands had been forced to a very low level by keen competition from imported goods, South Korea still considered them high and booked West German cement through a local firm; shipments will be made direct.

Diamond—Prices for diamonds recently increased by 10% on account of increased cost. Current wholesale prices are: blue-white stones—\$3,500 per carat for 1- to 2-carat stones, \$4,500 per carat for 2- to 3-carat stones, \$6,000 per carat for 3- to 5-carat stones, and \$10,000 per carat for stones above 5 carats; white stones—\$2,900 per carat for 1- to 2-carat stones, \$3,600 per carat for 2- to 3-carat stones, \$4,500 per carat for 3- to 5-carat stones. Retail prices are much higher depending on the location and the reputation of the shop. Demand for blue-white stones is limited on account of the prohibitive price; most buyers, especially smugglers, prefer white stones.

THE PERMANENT REVOLUTION

(Continued from Page 645)

It is this compromise which Khrushchev has now torn up, this balance which he has shattered. The truce between the party machine and Soviet society is broken: the permanent revolution is on again. Rather than submit to the gradual erosion of the party's primacy by the economic bureaucracy, which a rational solution of the planning problems would have implied, Khrushchev has preferred to declare war on the economic bureaucracy and to attempt direct party rule in economic life.

Now, as at the Twentieth Congress, it was the party machine which decided the outcome. But the two opposite decisions—then for a compromise in order to restore confidence, now for the repudiation of that compromise in order to prevent the gradual undermining of party rule—are not just the result of Khrushchev's Machiavellian trickery; they express a genuine dilemma. The social pressures have become stronger; after all, with the growth of a modern industrial society. The road of concessions leads ultimately to the Thermidor. The road of open defiance of the new social forces leads to the party's growing isolation.

Traditionally, Soviet administration has rested on four main hierarchical pillars—the party machine, the secret police, the economic bureaucracy and the army. Throughout the history of the Soviet Union, they have all been represented in varying proportions in the highest policy-making organ, the politburo or party presidium, though most of the time the army was represented only by a political minister. After Beria's fall, the downgraded secret police ceased to have top-level representation; now the spokesmen of the economic bureaucracy have disappeared. Khrushchev and his party bosses are left alone with the representative of the last pillar—the army.

It has been hinted by Soviet sources, and stated outright by Western commentators, that Marshal Zhukov played a decisive role in the latest battle for power. Even assuming that the semi-official account of Khrushchev's loss of a majority in the party presidium is true—and it is quite conceivable that there was a last desperate rallying of resistance on the eve of the final coming into force of Khrushchev's scheme, scheduled for July 1—there was hardly more required of the Marshal than to sit quiet: in the absence of intervention by outside forces, a struggle between the majority of the presidium and the secretariat was bound to end with the victory of the latter, because the secretariat could always rely on the Khrushchevite majority of the Central Committee. Yet even Khrushchev's opponents, being life-long party men, probably would have recoiled from calling for army intervention in order to get rid of the First Secretary before the Central Committee could be convened; if they had tried and failed, they certainly would

not have gotten off with mere expulsion from the Central Committee.

The Marshal, then, was not called upon explicitly to decide between the party leaders; but everybody knew that he could have swayed the decision—that he had become the implicit arbiter of their dispute. By choosing not to act, by demonstrating his loyalty to the party statutes as handled by the machine, he justified the confidence placed in him by Khrushchev, who has allowed him persistently to reduce the role of the army political administration at a time when party control was being strengthened in every other sphere. As a result, the former dualism between the various branches of state administration on one side, and the party organs controlling them on the other, is coming to be replaced by a dualism of a very different kind—between a party directly running the other branches of government, and a virtually independent army united to it at the top.

The risks of this arrangement are obvious. They must appear even greater when it is recalled that the unity of the party leadership is by no means assured even now. One of the most sinister consequences of Khrushchev's costly victory is the breakdown of the mutual amnesty which the leaders originally had granted each other for their participation in Stalin's crimes. As late as Khrushchev's "secret" speech, the role of the other surviving leaders in Stalin's murderous purges was hushed up almost as well as Khrushchev's own. Now Malenkov had been attacked for his share in the 1949 "Leningrad affair," and Molotov and Kaganovich for their participation in the purges of the 1930's. These look like opening moves in a death struggle; the sequel may well be new charges of sabotage if Khrushchev's scheme results in economic breakdown.

But could the Soviet Union of today stand even a partial repetition of the horrors of twenty years ago? Could a party which has once before gone through it all, which has admitted how callously the charges were faked and how brutally the confessions were extorted, and which has now fatally weakened its links with the leading strata of the country, impose another blood purge at this stage? Would not the call for a strong man who could stop the bloodshed and the ideological nonsense and restore law and order become irresistible if addressed to the only possible candidate for that role—the head of the army?

Revolutions have ended in this way before. We cannot, of course, forecast that the Soviet regime must go the same way. But we can state that the dilemma of the party regime has reached a stage where every measure taken to insure its survival increases the danger to it from another quarter. By knocking away the other pillars—the secret police and the economic bureaucracy—the regime has threatened its own stability. The last pillar may well outlive the collapse of the building.